

CHIEF ALBERT LUTHULI MUNICIPALITY

Providing a Transparent and Accountable

Government



ANNUAL REPORT

2018/19



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CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

1. COMPONENT a: MAYOR’S FOREWORD

MAYOR’S FOREWORD

a. Vision

Our vision statement indicates that we are striving to be a transparent, innovative and developmental municipality that improves the quality of life of its people. As we are continuing with the political term of the council, we are mindful of this vision statement of being open and transparent in discharging our duties, hence we are presenting the Annual Report to the masses of our people. It is not only compliance with legal statutory requirements, but also our moral high ground that we should account to our communities for our decisions and spending. EM’S OVERVIEW

This Annual Report serves as a record of accounting mechanism to communities on the institution’s achievements and challenges, as well as the mitigation and remedial measures implemented to address the latter. While it reflects that progress has been made in service delivery despite the many challenges the municipality is faced with such as low revenue base, ageing infrastructure and increasing debtors book, the municipality has maintained a satisfactory level of service delivery. The municipality has managed to strengthen and streamline its operations to enable the institution to expand service delivery to the residents of Chief Albert Luthuli Municipality, inter alia the following interventions/actions have been achieved:

- (a) Stabilizing the administration by filling key strategic vacancies.
- (b) Sourcing available national and international funding to augment key service delivery projects and replace aging and poor infrastructure.
- (c) Strengthen the Ward Committee System to enhance effective public participation.
- (d) Making the vision and mission of the municipality our motto to provide a strategic thrust for the Municipality’s long term development planning.
- (e) Addressing irregular, fruitless and wasteful expenditure and improving the audit opinion raised by the Audit-General and introducing corrective measures towards obtaining a clean audit.
- (f) Paying our service providers within 14 days.
- (g) Vigorously instilling a culture of performance within the institution.
- (h) Promoting financial discipline and management.

Lastly, we plead with our communities to be active citizens by participating in their development through statutory platforms such as ward committees, Mayoral Imbizo’s, public participation forums.

Finally, I would like to express my sincere gratitude to all Councilors, officials, and the residents of Chief Albert Luthuli Local Municipality for their dedication, support and co-operation which enable the institution to excel and withstanding all challenges.

b. Key Policy Developments

The National Development Plan remains our overarching plan, which informs our Integrated Development Plan and budget allocations. The National Development Plan seeks to institutionalize long-term planning and gives expression to the policy continuity characterizing the past, and informing the next 20 years. The Mpumalanga Vision 2030 provides a provincial expression of the key priorities, objectives and targets enumerated in the National Development Plan and expressed within the manifesto of the ruling party.

c. Key Service Delivery Improvements

In the year under review, we have been able to complete our task as per the approved Service Delivery Budget Implementation Plan, which forms the basis of the performance contract that we entered into with administration. Although we had limited financial resources to accomplish all the expectations of our communities, we were able to make strides as follows:

- Improved access to electricity to communities that were previously deprived of the service;
- Improved access to waste management through regular refuse removal and health compliance inspections;
- Expanded in the provision of clean potable water to certain areas of the municipality and install water meters to control the usage of water.
- Provided an entrepreneurial development initiative through our infrastructure development and other ventures;
- Provided a platform for communities to engage the municipality through Izimbizo, notices, media statements, website, and general community meetings.
- Increased the social assistance net by registering communities as indigent for easy access to municipal services.

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- We have a functional Local AIDS Council to mitigate and deal with the effects of HIV/AIDS and other opportunistic infections.
- We have a functional mining and local economic development forum to mitigate the effects on our society of the triple challenges, which are poverty, unemployment and equality.
- We also maintained an unqualified audit opinion with few matters in 2019

d. Public Participation

Provided a platform for communities to engage the municipality through Izimbizo, notices, media statements, website, and general community meetings.

e. Future Actions

Increased the social assistance net by registering our communities as indigent for easy access to municipal services. Provided skills development and experiential learning initiatives with the private sector and other agencies of government to the unemployed youth. Continue to provide quality Service Delivery to our communities.

f. Agreements / Partnerships

Collaborated with sector departments in creating jobs through the Extended Public Works Programme, Community Works Programme and Siyathuthuka. Provided skills development and experiential learning initiatives to the unemployed youth and women, with private sector and other agencies of government.

g. Conclusion

We are making progress in the area of revenue generation, though not at a satisfactory level and we need to have a comprehensive plan to decisively deal with the concomitant issues on revenue management. We are particularly pleased with the performance of our Project Management Unit in implementing the Municipal Infrastructure Grant. We are encouraged by the general performance of the municipality in various aspects as confirmed by the recent SERO report.

The Year ahead

This Annual Report serves as a record of accounting mechanism to communities on the institution's achievements and challenges, as well as the mitigation and remedial measures implemented to address the latter. While it reflects that progress has been made in service delivery, there are undeniably challenges. To strengthen and streamline the institution and its operations to enable the institution to expand service delivery to the residents of Chief Albert Luthuli Municipality, inter alia the following interventions/actions will be prioritized in the year ahead:

- (a) Stabilizing the administration by filling key strategic vacancies.
- (b) Sourcing available national and international funding to augment key service delivery projects and replace aging and poor infrastructure.
- (c) Strengthen the Ward Committee System to enhance effective public participation.
- (d) Making the vision and mission of the municipality our motto to provide a strategic thrust for the Municipality's long term development planning.
- (e) Addressing irregular, fruitless and wasteful expenditure and improving the audit opinion raised by the Audit-General and introducing corrective measures towards obtaining a clean audit.
- (f) Paying our service providers within 14 days.
- (g) Vigorously instilling a culture of performance within the institution.
- (h) Promoting financial discipline and management.

Lastly, we plead with our communities to be active citizens by participating in their development through statutory platforms that are ward committees, CDW's and so forth.

Finally, I would like to express my sincere gratitude to all Councilors, officials, and the residents of Chief Albert Luthuli Local Municipality area for their dedication, support and co-operation, which enable the institution to excel and withstanding all challenges.

Clr D P Nkosi
Executive Mayor
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1. 1.COMPONENT B: EXECUTIVE SUMMARY MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

Chief Albert Luthuli Municipality derives its mandate and existence from the Constitution of the Republic of South Africa (1996). Section 152 stipulates the objects of local government, which is further elucidated by the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000), Chapter 3, section 11(3) adopting strategies and programs, including setting targets for delivery.

For the Municipality to fulfil its mandate in terms of the Constitution and other legislation, it becomes imperative that it adopts a principal strategic development framework for the 2018/19 financial year, which was done after the adoption of the Integrated Development Plan (IDP) as draft and before its final approval with the budget in May 2018 and submission to the MEC for Local Government. The IDP draws its mandate from the communities as represented by Ward Committees, as well as inputs received from other stakeholders identified in the IDP during the public participation program driven by the offices of the Speaker and the Executive Mayor.

In pursuance of these goals, the Municipality explores various means and strategies to meet its obligations to ensure that service delivery is rendered to its people. It then is important that the Municipality develops a service delivery and budget implementation plan (SDBIP). For that to be effective the process of contracting becomes important to ensure that service delivery is realised; this was done before the beginning of July 2018.

This overview seeks to give a layout of the types of services rendered in different Wards of the Municipality, diverse as they are, and with their unique challenges.

The first task at the beginning of the year is to ensure that the Budget and the IDP are properly aligned, followed by the development of the budget implementation plan, known as the Service Delivery and Budget Implementation Plan (SDBIP), which was approved by the Executive Mayor before the beginning of the new financial year.

That process led to the contracting period in terms of the Municipal Planning and Performance Regulations (2006), as amended. This seeks to realise Council priority development goals in line with its Integrated Development Plan (IDP) adopted by Council in May 2018. For this reporting year, Council prioritised the supply of water, which is made possible by entering into a service level agreement with different service providers, and the different municipal departments have to ensure that the agreed SDBIP targets or milestones are realised. The targets in the main focus on Basic Service Delivery, paying attention to the upgrading of water treatment plants and bulk infrastructure to ensure proper water supply. That then assists in ensuring that the Municipality performs services service delivery, which is done as follows:

1.1.1 ACCESS TO WATER

The Municipality supplies basic water within the RDP standard to almost 88% of households (47 062 households) under difficult conditions due to the majority of households being located in rural towns and villages, many of which are surrounded by sparsely populated areas that are outside the bulk

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water infrastructure, and a different approach was taken by providing water to those areas through contracted water tankers.

The Lusushwane Regional Bulk Water Scheme project has started and should assist part of the areas currently supplied by boreholes and water tankers.

The challenge remains of the cost of water treatment chemicals; the ever increasing Eskom bills for the Water Treatment Plants at Carolina, Elukwatini and Empluluzi; and the raw water source at the Methula and Mooiplaas Water Scheme drying up in winter. Another challenge is the financing of the operation and maintenance of water infrastructure. The Municipality's inability to collect sufficient revenue and enforce the Credit Control Policy, particularly in the Eskom supply areas, results in financial constraints, which adversely affect its ability to adequately maintain the water infrastructure.

1.1.2 ACHIEVEMENTS IN THE 2018/19 FINANCIAL YEAR:

1.1.2 ACHIEVEMENTS IN THE 2018/19 FINANCIAL YEAR:

- Improved access to water was provided and benefited a total of 720 households in Ekulindeni.
- Provided at least 88% (47 062) households with basic water services within the RDP standard.
- Provided 8 loads/day by 9 water tankers to 8,690 households in deep rural areas (80 mega-litres).
- Provided 47 062 households with free basic water (including 1959 registered indigent households).
- Collected and successfully analysed 520 water samples; submitted water quality reports to Council on a quarterly basis where an improvement was scored.

The following capital projects funded by MIG/WSIG/INEP have been approved for the 2018-19 financial year:

- Replacement of AC Pipes at Ekulindeni Water Scheme;
- Construction of 500 Conventional toilets in deep rural areas;
- Upgrading of Eerstehoek Water Scheme;
- Electrification of 30 households in Carolina Farms;
- Construction of Silobela stadium phase 2;
- Upgrade of Silobela Substation (1,5MVA – 3MVA): Phase 2;
- Construction of Diepdale Road;
- Construction of Mahoxo Road;
- Construction of Carolina Access Road;
- Construction of Mooiplaas Access Road; and
- Construction of Empuluzi Access Road

1.1.3 ACCESS TO SANITATION

The proportion of households with access to basic sanitation is 97%, which is more than 51 876 households and is an improvement of about 7% from the previous financial year. However, some 1 604 households (3%) are still below the minimum service level.

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Province has directed that municipalities must explore alternative sanitation technology to the VIP System. The Municipality has installation conventional toilets in 5 Wards in deep rural areas as an alternative sanitation option. However, an amount estimated at R2,5 billion is required to roll out water-borne sanitation, especially in the deep rural areas.

1.1.4 ACCESS TO ELECTRICITY

The Municipality provides access to electricity to 96% households, and households without electricity are now less than 2139 according to the SA Statistics 2016 community survey; however, the maintenance of that infrastructure is a challenge due to the high cost of Eskom electricity that municipalities currently struggle to keep up with. New access to electricity (eradication of backlogs) was provided to 30 households at Carolina Farms with the upgrading of Silobela Substation phase 3.

1.1.10 LOCAL ECONOMIC DEVELOPMENT

The LED Forum was launched in May 2018, and local economic sectors such as Mining, Cooperatives, SMMEs, Agriculture, Transport, Department for Small Business Development, and Tourism were engaged throughout the year. Several SMMEs and Co-operatives were appointed and supported during the year.

The LED Forum is functional and sits on quarterly basis. The LED Strategy was adopted by Council on the 25 July 2019. Through the Strategy one anchor project is being implemented. Funded by the Department of Rural Development and Land Reform the Agripark project located at Dundonald (Farmers Support Production Unit). All local economic sectors such as Mining, Cooperatives, SMMEs, Agriculture, Transport, Department for Small Business Development, and Tourism were engaged throughout the year. Several SMMEs and Co-operatives were appointed and supported during the year.

1.1.11 NUMBER OF JOBS CREATED

The number of jobs created through infrastructure development totals 371; and through poverty alleviation projects totals 3590.

1.1.12 SPATIAL DEVELOPMENT AND HOUSING

The Municipality is responsible only for the monitoring of the development of the Municipality's Spatial Development Framework and Land Use System, which is done by the Provincial Department of Co-operative Government and Traditional Affairs. The project is in the planning stages. The Municipality is also responsible for the monitoring of the housing-projects, which are funded by the Provincial Department of Human Settlement. Several housing projects comprising 521 housing units are monitored. A total number of 923 title deeds were handed over to beneficiaries.

1.1.13 CEMETERIES, LIBRARIES, SPORT FACILITIES

These services are offered, managed and maintained by the Municipality in almost all areas. The provision of graves in the Municipality is limited to the proclaimed towns being Carolina, Emanzana

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(Badplaas), Elukwatini and Mayflower, however, the Ekulindeni and Silobela cemeteries are about to reach its full capacity. The municipality is embarking on the environmental impact assessment studies on the identified land for Ekulindeni. The Municipality attempts to promote a culture of reading in the community by providing library campaigns at schools and early childhood development centres. Membership and book circulation at all libraries are satisfactory. Libraries are located in Carolina, Silobela (Zenzeleni), Elukwatini, Emanzana, Ekulindeni, Empuluzi (Khululwazi) and Z M Mkhwanazi – Glenmore.

In collaboration with other stakeholders the municipality is able to coordinate sport and cultural activities in various unit areas. The annual cultural events were launched at Glenmore wherein cultural groups from various areas show cased their talent.

The provision of sport facilities remains a challenge, mainly due to the fact that there are only a few sport grounds in the Municipality that were in a good condition.

1.1.14 COMMUNITY DEVELOPMENT AND TRANSVERSAL ISSUES

The Municipality is also responsible for community development and transversal issues. Support is given to several women, youth, people living with disabilities organisation, and the campaign against women and child abuse; religious groups such as pastors and traditional healers, who are key stakeholders in moral regeneration activities; HIV/AIDS program, and the Local AIDS Council (LAC), to which the Municipality is a key stakeholder; programs such as HCT, Zazi and Voluntary Medical Male Circumcision were core to the LAC's activities.

1.1.15 PUBLIC SAFETY (LAW ENFORCEMENT, SAFETY AND TRAFFIC MANAGEMENT)

The Municipality deals with traffic law enforcement and various patrol and court duties, issuing of traffic summons, administering the execution of warrants of arrest, enforcement of by-law, and scholar patrols. The traffic section has launched a general law enforcement programme to educate and monitor motorist compliance with traffic laws. The challenges is the congestion in the Elukwatini Crossing during peak periods especially in Easter Weekends and Festive season. However, the municipality has reconfigured the traffic lights and occasionally deploy traffic officers to assist during the congestions. The security of assets and building of the municipality is administered by deployed security personnel at strategic municipal properties and are monitored. The Local Transport and Community Safety Forums are sitting as required thus relevant stakeholders are able to partner with the municipality to tackle identified challenges e.g. crime, taxi operations and alcohol/drug abuse. Through collaboration a crime awareness campaign was organised at Elukwatini.

1.1.16 FIRE AND EMERGENCY SERVICES, DISASTER MANAGEMENT

The Municipality has a fully equipped fire station at Carolina, and a satellite fire station in Elukwatini. Several awareness campaigns are conducted in schools, Early Childhood Development Centres., and business outlets. The challenge is the non-availability of Hazzmat equipment and Fire Truck to deal with structural building fires. The municipality is prone to disasters mainly thunderstorms, fire and heavy rains. We are able to respond promptly and coordinate stakeholders to deal with the areas affected by providing relief materials.

1.1.17 FINANCIAL VIABILITY AND SUSTAINABILITY

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The income and expenditure in the **2018/19** financial year has improved from the previous financial year. This resulted in an operating surplus of **R186.2 million**. Total revenue increased by **34%** from **R571.1 million** in **2017/18** to **R766.2 million** in **2018/19**. The total expenditure increased by **24%** from **R468.1 million** in **2017/18** to **R580 million** in **2018/19**, as reflected in the Statement of Financial Performance in the Annual Financial Statements.

1.1.18 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

In pursuance of good and clean governance, all statutory reports in terms of the MSA (2000) Section 41 and 46, and the MFMA (2003) Section 52, 66, and 72, 121 and 129 are submitted to the relevant stakeholders as required. All unauthorised and irregular expenditure was disclosed and declared to Council, and was referred to the Municipal Public Account Committee (MPAC) to determine the steps to be taken in line with the MFMA (2003). A number of policies were reviewed. An IT Framework Policy for the improvement of the Municipality's IT Governance Framework is still in draft format. Various Ward Committee meetings as well as Mayoral Imbizo, and three IDP Representative Forum meetings were held, which gave rise to the approved 2018/19 Integrated Development Plan (IDP). The Municipality takes steps to conserve power and water in its offices and other facilities; and citizens are requested to adopt this in their own housekeeping.

.....
MR. M.S. DLAMINI
MUNICIPAL MANAGER

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1.1. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

The Municipality is named after the great leader of the people and the African National Congress movement, Chief Albert Luthuli. The Municipality is a Category B municipality situated within the Gert Sibande District Municipality, on the eastern escarpment of Mpumalanga, and shares its eastern border with the country of Swaziland, with its seat in Carolina. It consists of diversified communities that face various social, economic, environmental and governance challenges.

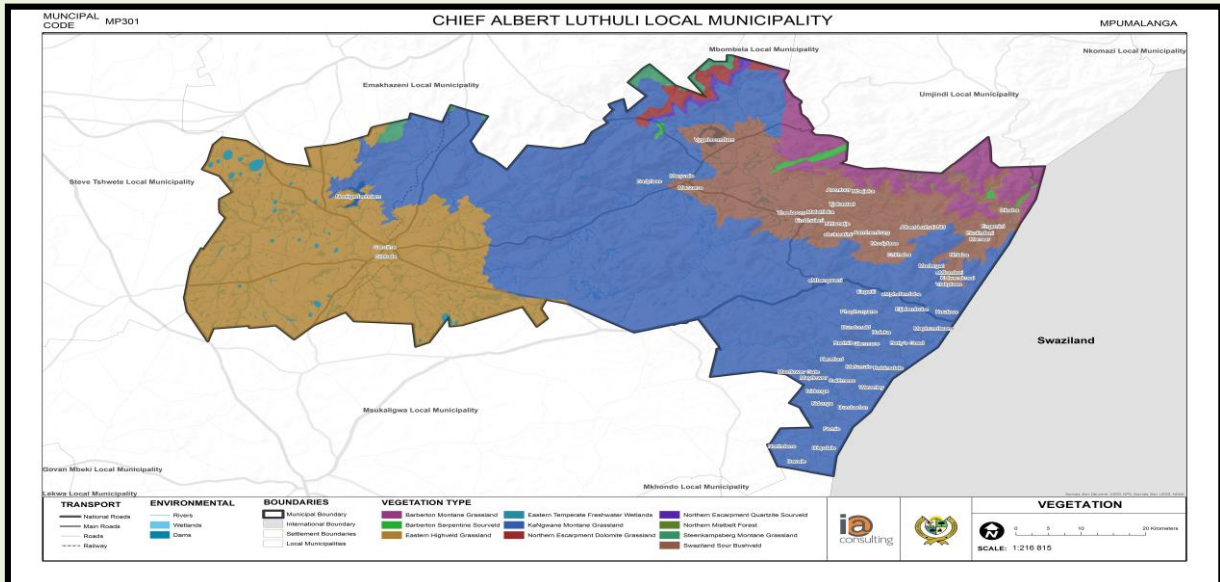
The N17 cuts through the south-eastern part of the area, as well as other regional mobility routes, namely the R36, R33 and R38. The majority of rural settlements are spread across the eastern part of the municipal area and access is provided by the R541, N17 and various secondary routes.

Other key features of the Municipality include forestry areas in the central and southern parts of the Municipality, the Nooitgedacht and Vygeboom Dams, a river system, as well as the edge of a greater wetland region. Economic activities that are dominant spatially in the Municipality include agriculture,

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forestry and mining. The economic Retail and Services activities are concentrated in Carolina and also in smaller centres such as Elukwatini and Emanzana.

Map 1 – Municipal district location



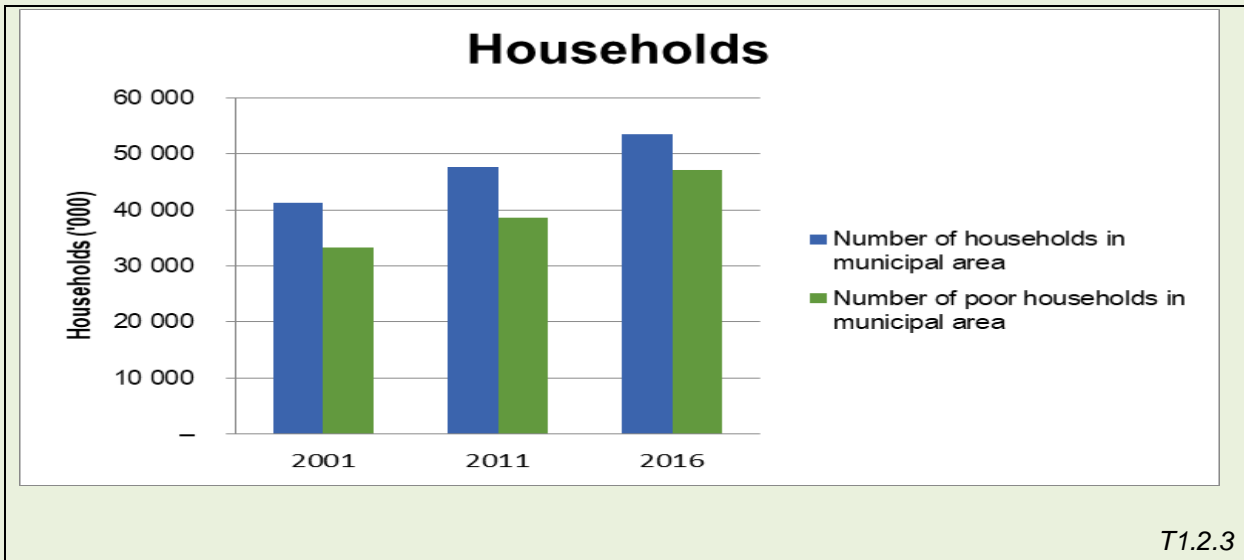
DEMOGRAPHICS

Chief Albert Luthuli Municipality spans an area of 5,559km², with urban, tribal/traditional, and farm areas. The population density is 29 people per km². The population growth from 2011 is 0.9%, numbering 187,629 people with a projection of 192,000 people in 2030.

The majority of the population is from the African group (99.0%); followed by the White group (1.0%). The Indian/Asian group and the Coloured group are included in the African group. The functional age groups are made up by the working age group (15 to 64 years), 60,3%; the young group (0 to 14 years) 34.1%; and the elderly group (65+) 5.7%. Females represent 53.0% of the population and males 47.0%. Youth up to 34 years represent 41.4% of the population. The sex ratio for the population is 89 males per 100 females.

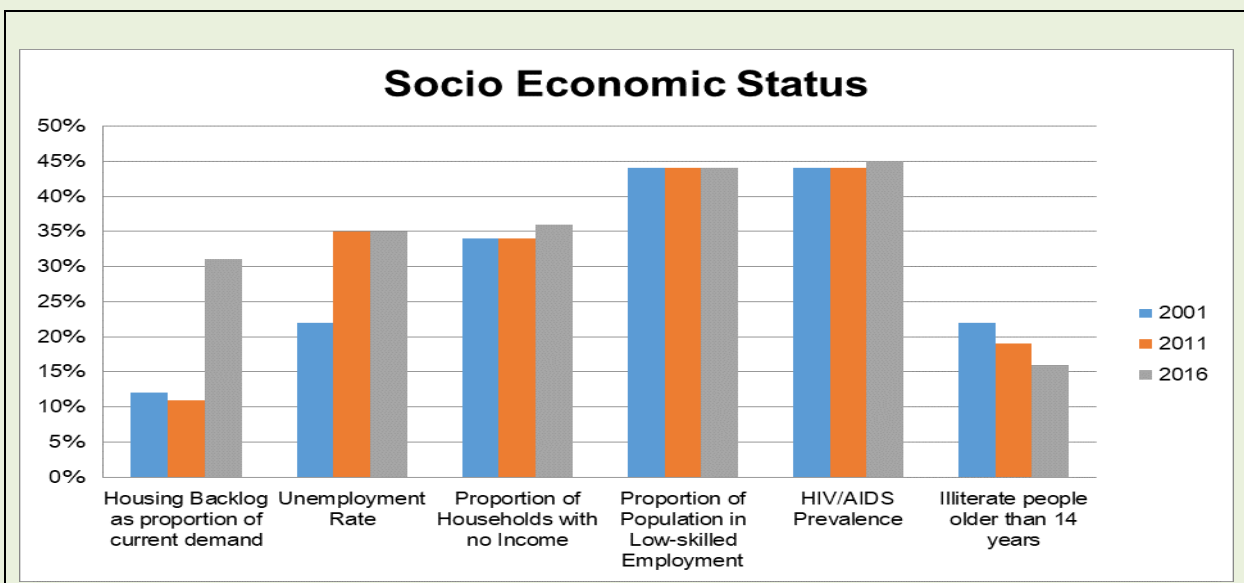
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Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
2001	12%	22%	34%	44%	44%	22%
2011	11%	35%	34%	44%	44%	19%
2016	31%	35%	36%	44%	45%	16%

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Overview of Neighbourhoods within Chief Albert Luthuli Municipality		
Settlement Type	Households	Population
Towns, Townships, Rural Settlements and Informal settlements		
Aarnhemburg	127	504
Albert Luthuli NU	3660	14267
Avontuur	157	781
Badplaas	163	582
Betty's Goed	342	1489
Caithness	24	136
Carolina	5059	16846
Davale	172	885
Dibaba	48	107
Diepdale	1598	6768
Dumbarton	60	281
Dundonald	1229	4764
Ekulindeni	1341	4521
eMbangweni	727	2879
Embhuleni	128	595
eMlondozi	0	0
eMphelandaba	143	532
Engonini	118	427
Enkhaba	123	525
Esgwili	538	2504
Etjelebube	507	2165
Fernie	3783	15693
Glenmore	1830	7180
Hereford	265	1400
Holeka	609	2520
Houtbos	283	1215
Izidonga	131	694
Kalwerskraal	19	91
Lukwatini	3921	13149
Mafumulo	240	1077
Malahleka	65	333

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Overview of Neighbourhoods within Chief Albert Luthuli Municipality		
Settlement Type	Households	Population
Manaar	222	965
Manzana	1970	6922
Maphundlwane	353	1318
Maryvale	49	112
Maxflower Gate	552	2401
Mayflower	3638	13547
Mbejeka	116	514
Modergat	44	241
Mooiplaas	987	4149
Ndonga	48	268
Nhlaba	204	779
Nhlazatje	6983	28224
Nooitgedachdam	32	50
Northdene	81	388
Phophonyane	80	444
Redhill	1180	4861
Robinsdale	243	1165
Theeboom	78	418
Tjakastad	3071	12711
Vlakplaas	149	598
Vygeboomdam	51	115
Waverley	164	910
Sub-Total	47 705	186 010
<i>T 1.2.6</i>		

Natural Resources	
Major Natural Resource	Relevance to Community
Mining	0.1% contribution to growth with labour intensity of 1.03
Forestry and Agriculture	0.5% contribution to growth with labour intensity of 1.61
Tourism	Tourism spent of 4.8% as percentage of GDP
<i>T 1.2.7</i>	

COMMENT ON BACKGROUND DATA:

The Municipality has mining, forestry and agriculture and tourism as contributors to the local economy.

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1.2. SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

The municipality provided free electrical services to 1 759 registered indigent households during the year under review.

Free basic services are provided to qualifying indigent households. In the 2018/19 financial year an average of 90% of qualifying households received free basic water and sanitation services, 16% of qualifying households in the Municipality's supply area (Carolina and part of Emanzana) received free basic electricity, and less than 1% of qualifying households received the discounted refuse removal service. Due to the rural nature of the municipal area, it is not possible to provide the refuse removal service to all households.

T 1.3.1

T 1.3.2

COMMENT ON ACCESS TO BASIC SERVICES:

The Municipality supplies basic water within the RDP standard to almost 88%(51 340) of 53 480 households under difficult conditions due to the majority of households being located in rural towns and villages, many of which are surrounded by sparsely populated areas that are outside the bulk water infrastructure, and a different approach was taken by providing water to those areas through contracted water tankers. 19 960 installation of water meters were completed during the year under review.

The Municipality provides access to electricity to 96% households, and households without electricity are now less than 2 140 according to the SA Statistics 2016 community survey; however, the maintenance of that infrastructure is a challenge due to the high cost of Eskom electricity that municipalities currently struggle to keep up with. 714 installation of electricity smart meters were completed during the year under review

The proportion of households with access to basic sanitation is 97%, which is more than 51 875 households. However, some 1 801 households (4%) does not have access to toilet facilities. 400 and 366 waterborne sanitations and smartsan toilets respectively, were installed during the year under review.

The Municipality has a road network of approximately 649km, of which 81% are gravel roads, mostly located in the rural areas. A total of 407km gravel roads was maintained, and an area of approximately 814m² road.

T 1.3.3

Chapter 1

1.3. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The income and expenditure in the 2018/19 financial year has improved from the previous financial year. This resulted in an operating surplus of R93 million (R86 million in 2017). Operating Income increased in total from R533 million in 2016/17 to R569 million in 2018/19. The Operating Expenditure increased from R447 million (restated) in 2016/17 to R476 million in 2018/19, as reflected in the Statement of Financial Performance on the Annual Financial Statements.

T 1.4.1

Financial Overview: Year 2018/19			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	257 778	268 278	388 377
Taxes, Levies and tariffs	144 679	134 480	131 745
Other	27 718	38 346	50 991
Sub Total	430 175	441 104	571 113
Less: Expenditure	406 048	436 818	455 458
Net Total*	24 127	4 286	115 655
* Note: surplus/(defecit)			T 1.4.2

Operating Ratios	
Detail	%
Employee Cost	34%
Repairs & Maintenance	3%
Finance Charges & Impairment	6%
T 1.4.3	

COMMENT ON OPERATING RATIOS:

Employee Cost:

The municipality exceeded the expected norm of 30% by 4% due to filling of vacant positions during the financial period.

Repairs and Maintenance:

The municipality repairs and maintenance of 3% is well below expected norm of 20% due to the strict measures in place to keep this expenditure at minimal.

Finance Charges and Impairment

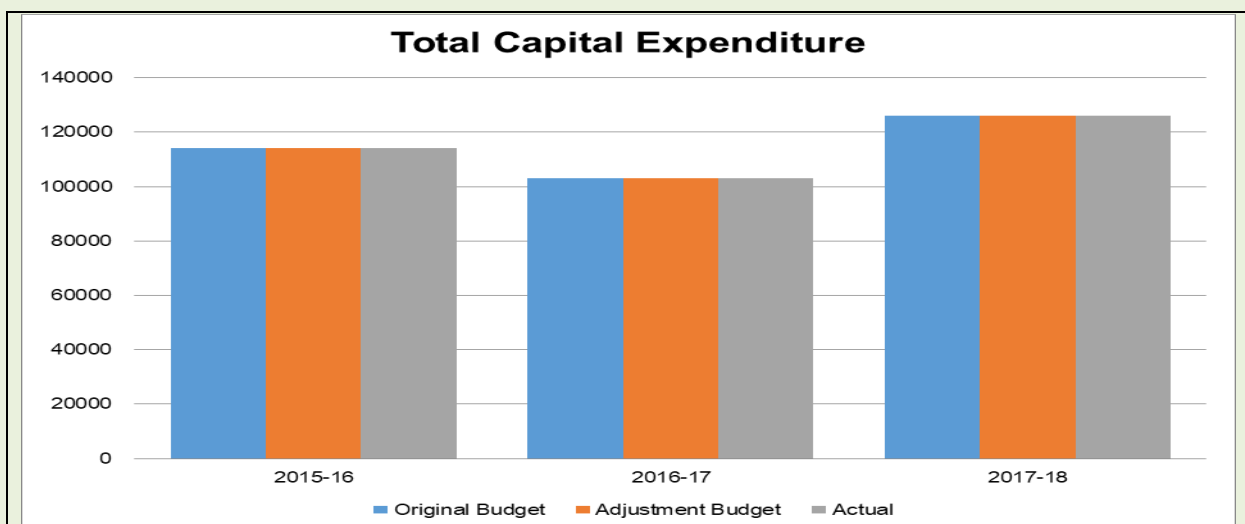
Chapter 1

The municipality exceeded the expected norm of 10% by 21% due to the significant increase in impairment of receivables in the current year.

T 1.4.3

Total Capital Expenditure: 2015-16 to 2017-18			
	R'000		
Detail	2015-16	2016-17	2017-18
Original Budget	114 048	102 945	126 185
Adjustment Budget	114 048	102 945	126 185
Actual	114 048	102 945	126 185

T 1.4.4



T 1.4.5

COMMENT ON CAPITAL EXPENDITURE:

The municipality spent 97% of the budgeted capital expenditure 98% in 2016-17 and 100% in 2018/19 financial reporting period.

T 1.4.5.1

1.4. ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

The municipality has 505 approved and funded positions, of which 419 (83%) are filled leaving only 86 (17%) positions remaining vacant. The municipality has 25 developed and implemented policies in place to govern its operation through managing its workforce.

T 1.5.1

Chapter 1

1.5. AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT: YEAR 2018/19

Audit opinion:

Unqualified

Key steps taken to accomplish this important achievement:

Management developed and action plan to address all audit finding raised by the Auditor General during 2018/19 financial year.

Management assigned a dedicated resource to deal with portfolio of evidence for all planned and reported key performance indicators and targets.

On a weekly basis, top management meetings were held where all strategic decisions were made as part of implementation of the SDBIP. Action plan remained standing item in these meeting.

T 1.6.1

Chapter 1

1.6. STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

T 1.7.1

Chapter 1

COMMENT ON THE ANNUAL REPORT PROCESS:

In order to meet deadline for the submission of annual report, the statutory annual process started in July 2018 after the submission of quarter four report to council, which made it possible for the development of the Draft Annual Performance Report.

The report served before audit committee before it was submitted to council at the end of August 2019. It was then submitted to the office of the Auditor General for auditing from which the outcome emanated.

T 1.7.1.1

Chapter 2

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

Section 40 of the Constitution recognizes that government as national, provincial and local spheres of government that are distinct, interdependent and interrelated. All spheres of government must observe and adhere to the legislative principles and must conduct their activities within the parameters provided. The Constitution section 41 requires that all spheres of government and all organs of state must co-operate with one another.

The municipality was derived from the Constitution, Section 151 states that the objects of local government and municipality must strive, within its financial and administrative capacity to achieve these objects:

- To provide democratic and accountable government for local communities;
- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and to encourage the involvement of communities and community organisations in the matter of local government

T 2.0.1

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

Section 151(3) of the Constitution (1996) states that the council of a municipality has the right to govern, on its own initiative, the local government affairs of the local community. Political governance is the process of decision-making to formulate policy, whereas administrative governance is the system of implementing policy.

T 2.1.0

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

The Municipality adopted executive mayor and executive committee governance arrangements. The Municipality is comprised of a Mayoral Committee, and Section 79 and 80 Committees. The Mayoral Committee and Section 80 Committees deal with the executive part of administration, and the Section 79 Committees are responsible for oversight.

The Audit Committee provides opinions and recommendations on the overall control environment, financial processes and performance to Council, and also provides comments to the Municipal Public Accounts Committee (MPAC) on the Annual Report. The Municipality established a Municipal Public

Chapter 2

Accounts Committee (MPAC) as an oversight committee, comprising of non-executive councillors, with the specific purpose of providing Council with comments and recommendations on the Annual Report. The Municipal Public Accounts Committee's (MPAC) report is published separately in accordance with MFMA (2003) guidance.

The Municipality established Ward Committees in its 25 Wards with the view to strengthen public participation and entrench democracy. The Ward Committees are fully functional and their role involves, amongst others, to be the ears and eyes of Council at grassroots level. Inputs from the Ward Committees are discussed in Council meetings so that it receives the necessary attention.

T 2.1.1

POLITICAL STRUCTURE

EXECUTIVE MAYOR

(Councillor D.P. Nkosi)

The Executive Mayor -

- provides general political guidance over the fiscal and financial affairs of the municipality;
- identifies, reviews and evaluates the needs of the municipality in order of priority;
- recommends to the municipal council strategies, programs and services to address priority needs;
- recommends or determines the best way to deliver those strategies, programs and services to the maximum benefit to the community;
- identifies and develops criteria in terms of which progress in the implementation of the strategies programs and services can be evaluated;
- evaluates progress;
- reviews the performance of the municipality in order to improve the economy, efficiency and effectiveness of the municipality, and the efficiency of credit control, and revenue and debt collection services;
- monitors the management of the municipality's administration;
- oversees the provision of services to communities in a sustainable manner;
- performs duties and powers as the council may delegate;
- annually reports on the involvement of communities in the affairs of the municipality;
- ensures that regard is given to public views and the effect of consultation on the decisions of council;
- Performs a ceremonial role as determined by council; reports to the council on all decisions taken by the executive mayor.
-

SPEAKER

Councillor M.W. Mngomezulu)

- The Speaker of the Council -
- presides at meetings of the council;
- performs the duties and exercises the powers delegated to the speaker in terms of section 59 of the MSA (2000);
- ensures that the council meets at least quarterly;
- maintains order during meetings;
- ensures compliance in the council and council committees with the Code of Conduct for Councillors;
- ensures that council meetings are conducted in accordance with the rules and orders of the council

Chapter 2

CHIEF WHIP

(Councillor L.L. Sidu)

The Council Whip may -

- provide political management of council meetings and committee meetings;
 - inform councillors of meetings called by the Speaker and the Executive Mayor and ensure that such meetings quorate;
 - advise the Speaker and Executive Mayor on the council agenda;
 - inform councillors on important matters on the relevant agenda;
 - advise the Speaker on the amount of time to be allocated to speakers and the order of such speakers addressing the council;
 - ensure that councillors' motions are prepared and timeously tabled in terms of the procedural rules of Council;
 - assist the Speaker in the counting of votes;
 - advise the Speaker and the Executive Mayor of urgent motions;
- advise the Speaker and Executive Mayor on how to deal with important items not disposed of at a council meeting

Councillor S.Z. Nkosi (Planning & Economic Development)

- As a member of the Mayoral Committee -
- assists and advises the Executive Mayor;
- chairs designated departmental portfolio committee meetings;
- performs any Executive Mayor's powers delegated by the Executive Mayor oversees the following programmes:
 - ✓ overall administration of the Planning and Economic Development Department;
 - ✓ the overall strategic spatial planning of the Municipality;
 - ✓ local economic development;
 - ✓ integrated development planning;
 - ✓ strategic planning and management;
 - ✓ human settlement; and town planning

Councillor N.V. Makhubelo (Public Safety & Community Services)

- As a member of the Mayoral Committee -
- assists and advises the Executive Mayor;
- chairs designated departmental portfolio committee meetings;
- performs any Executive Mayor's powers delegated by the Executive Mayor and over sees the following programmes :
 - ✓ the overall administration of the Community and Safety Services Department;
 - ✓ management of waste removal;
 - ✓ support to Youth/Women/People Living with Disability;
 - ✓ provision of sport and recreational facilities;
 - ✓ provision and management of -
 - ✓ Libraries;
 - ✓ Cemeteries;
 - ✓ Parks and Gardens; and Environmental Health

Councillor N. Mnisi (Corporate Services & Administration)

- As a member of the Mayoral Committee -
- assists and advises the Executive Mayor;
- chairs designated departmental portfolio committee meetings;
- performs any Executive Mayor's powers delegated by the Executive Mayor and oversees the following programs :
 - ✓ ensures efficiency and functioning of the total administration of the municipality;
 - ✓ overall administration of the Corporate Services Department;
 - ✓ provides support at support council meetings;
 - ✓ controls the activities of administration and records management,
 - ✓ legal services;
 - ✓ human capital , resources; employment equity and skills development;
 - ✓ co-ordinates occupational health and safety;

Chapter 2

✓ co-ordinates committees;

Councillor M.P. Magagula (Infrastructure & Technical Services)

- As a member of the Mayoral Committee -
- Assists And Advises The Executive Mayor;
- Chairs Designated Departmental Portfolio Committee Meetings;
- Performs Any Executive Mayor's Powers Delegated By The Executive Mayor and Oversees the following Programmes:
 - ✓ Electricity Services;
 - ✓ Water And Sanitation Services;
 - ✓ Public Works (Roads And Storm Water);
 - ✓ Operation And Maintenance (O&M);
 - ✓ Co-ordinates municipal infrastructure;
 - ✓ Municipal fleet.

T 2.1.1

COUNCILLORS

The Demarcation Board designated the Municipality as a municipality with 49 councillors of whom 25 are wards councillors.

The then MEC for CoGTA, the Honourable Speedy Mashilo, designated full-time councillors, being the Executive Mayor, three Members of the Mayoral Committee, the Speaker of Council, and the Council Whip. However, a directive was given by CoGTA that the Municipality could only fill three vacancies on the Mayoral Committee. The other would be filled after verifying the Municipality's financial viability.

The Municipality has been able to fill a fourth position on the Mayoral Committee; thus the Municipality now has four Members of the Mayoral Committee as listed in table T2.1.1 above.

SALGA resolved in 2011 that the position of the Chairperson of the Municipal Public Accounts Committee should be designated as full-time. That was escalated to the determination of upper limits, and approved as such. The Municipal Council then designated the Chairperson of the Municipal Public Accounts Committee as a full-time councillor.

Refer to **Appendix A** where a full list of Councilors can be found (including committee allocations and attendance at council meetings).

Also refer to **Appendix B** which sets out committees and committee purposes.

T 2.1.2

POLITICAL DECISION-TAKING

Chapter 2

Matters for decision-making are divided into two categories. Matters delegated to the Executive Mayor (Mayoral Committee) for finalisation and matters reserved for the Municipal Council for finalization.

During 2018-2019 financial reporting period, the council made 212 resolutions. The municipality has implemented 183 (86%) resolutions made, the implementation of 29 (14%) was still in progress at year end. Please to the table below is a snippet of resolutions that were taken and implemented, the table below seeks to demonstrate that all taken resolution there was a constant report which had to be submitted to all oversight structures quarterly

T 2.1.3

Chapter 2

RESOLUTION BY COUNCIL 25 OCTOBER 2018 delegated

RESOLUTION NUMBER	ITEM DESCRIPTION	RESOLUTION BY COUNCIL	RESPONSIBILITY	PROGRESS	STATUS
CL1. 124	C01/10/18/D FINANCE: ACQUISITION REPORT FOR THE PERIOD JULY 2018 TO SEPTEMBER 2018	RESOLVED THAT: Council takes notes of the awards made in the quarter ended 30 September 2018. The Manager Supply Chain Management makes this report public in terms SCM Regulation 6(3) & (4).	Chief Financial Officer	Council took note of the Report Report has been made public by means of uploading the Municipal Website.	Complete Complete
CL1. 125	C02/10/18/D FINANCE: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNT: QUARTERLY REPORT FOR JULY - SEPTEMBER 2018	RESOLVED THAT: Council takes note of the investment portfolio for the first quarter. Council also takes note that the investment value as at 30 September 2018 was R4 165 309.88 Council further notes that there were no withdrawals made in the first quarter.	Chief Financial Officer	Council took note of the report Council took note of the investment value Council took note that there were no withdrawals	Complete Complete Complete
CL1. 126	C03/10/18/D OFFICE OF THE MUNICIPAL MANAGER: PERFORMANCE MANAGEMENT SYSTEM: FIRST QUARTER PERFORMANCE REPORT (July – September 2018) FOR THE	RESOLVED THAT: Council takes note of the First Quarter Performance Report of the 2018/19 financial year. Copies of the approved report be made available on the municipal website and at all strategic points. The report be referred to the Section 79 Committees for Oversight.	Performance Systems Manager.	The PMS 1 st Quarter Performance Report was referred to the Sections 79 Oversight Structures and an oversight investigation is in progress. The report was placed on the municipal website and strategic points.	On-going.

Chapter 2

	2018/19 FINANCIAL YEAR (9/2/B)				
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Delegated

RESOLUTION NUMBER	ITEM DESCRIPTION	RESOLUTION BY COUNCIL	RESPONSIBILITY	PROGRESS	STATUS
CL1. 127	C01/10/18/R CORPORATE SERVICES: PERSONNEL: GUIDING FRAMEWORK FOR DETERMINATI ON BY MUNICIPAL COUNCILS OF COST OF LIVING ADJUSTMENTS FOR SECTION 56/57 MANAGERS (4/10/1)	RESOLVED THAT: Council takes note of the report on guiding framework for determination by municipal Councils of cost of living adjustments for PMU Manager and Assistant PMU Manager. Council approves a 5.1% increase for PMU Manager and Assistant PMU Manager as per circular 35/2018 from SALGA with effect from the 1 st of July 2018.	Director Corporate Services	Item submitted to Council and approved	Awaiting budget adjustment.
CL1. 128	C02/10/18/R CORPORATE SERVICES: GOVERNANCE: REPLACEMENT OF CLR M THABEDE IN THE MUNICIPAL COUNCIL (M THABEDE PERS)	RESOLVED THAT: Council takes note of the report. Council takes note Dumisani Simon Nkosi with ID No 690522 5611 080 has been declared elected to serve at the Chief Albert Luthuli Municipal Council representing the African Peoples Convention (APC) as PR Councillor, with effect from the 20 th of September 2018. The Municipal Manager to relay the correspondence from the IEC to the legal representatives of the former councilor and the communication thereafter be between the IEC and the legal representatives of the appellant.	Director Corporate Services	PR Councillor DS Nkosi sworn-in.	Clr DS Nkosi of APC signed all necessary documentations.

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RESOLUTION NUMBER	ITEM DESCRIPTION	RESOLUTION BY COUNCIL	RESPONSIBILITY	PROGRESS	STATUS
CL1. 129	C03/10/18/R FINANCE: DESIGN AND CONSTRUCTION OF COUNCIL CHAMBER: MANAGEMENT RESPONSE TO NT VIEWS AND RECOMMENDATIONS	RESOLVED THAT: Council takes note of the current status quo in terms of the implementation of the project. Council takes note of the responses from the Accounting Officer. Council mandates the Accounting Officer to submit the responses to the National Treasury.	Chief Financial Officer	Council took note of the status quo of the project Council took note of the responses from the Accounting Officer Responses have been submitted to NT	Complete Complete Complete
CL1. 130	C04/10/18/R FINANCE: FRUITLESS AND WASTEFUL EXPENDITURE	RESOLVED THAT: Council takes note of the report and refer it to MPAC for investigation.	Chief Financial Officer	Fruitless and wasteful expenditure have been referred to MPAC for further investigation	Complete
CL1. 131	C05/10/18/R OFFICE OF THE MUNICIPAL MANAGER: PERFORMANCE MANAGEMENT SYSTEM: REVIEWED 2018/19 PMS POLICY FRAMEWORK (9/2/B)	RESOLVED THAT: Council approves the Reviewed 2018/19 Performance Management System Policy Framework for implementation in 2018/19.	Performance Systems Manager	POLICY IS IN USED	Being implemented
CL1. 132	C06/10/18/R PED: TOWN PLANNING: REQUEST TO ACQUIRE AND UTILISE A VACANT (STREET)	RESOLVED THAT:	Director PED	Council resolution communicated to applicant.	Currently waiting for valuation to finalize the selling of the

Chapter 2

RESOLUTION NUMBER	ITEM DESCRIPTION	RESOLUTION BY COUNCIL	RESPONSIBILITY	PROGRESS	STATUS
	RESERVED IN MAYFLOWER (EMPULUZI EXTENSION D) FOR THE ESTABLISHMENT OF A NEW POLICE STATION.	<p>Council approves the selling of 6591m² in extent of a vacant land (street) reserve in Empuluzi D for the purpose of the establishment of a new police station</p> <p>The municipality obtains valuation for the 6591m² vacant land(Street)reserve</p> <p>The Municipal Valuers be appointed to conduct a supplementary valuation on the said property.</p> <p>All the necessary town planning processes of the vacant land (street) closure and rezoning and the costs associated with it shall be borne by SAPS.</p>		Valuation for the property was requested from Valuers Africa.	property and all town planning processes.
CL1. 133	C07/10/18/R CORPORATE SERVICES: ADMINISTRATION: OFFICES CLOSURE DURING FESTIVE HOLIDAYS (4/2/3)	<p>RESOLVED</p> <p>THAT:</p> <p>Council grants permission for the closure of administrative offices for the period 21 December 2018 at 12:00 and re-opening on 07 January 2019 to all municipal employees with an exception of those mentioned in 2 (2.1 to 2.4) below.</p> <p>The below mentioned services not to be interrupted with and should continue as normal namely:</p> <p>Standby Services</p> <p>Emergency Services</p> <p>Refuse removal, cleaning of towns / CBD's.</p> <p>2.4 Cashiers at all pay points open between 09:00 and 12:00 on weekdays (24, 27, 28, 31 December 2018 and 02 January 2019).</p>	Director Corporate Services	The Council resolution was communicated to all employees through information sharing sessions	Currently consolidating leave application forms per departments.

Chapter 2

RESOLUTION NUMBER	ITEM DESCRIPTION	RESOLUTION BY COUNCIL	RESPONSIBILITY	PROGRESS	STATUS
		<p>Seven (7) days annual leave be deducted from all employees except those mentioned and performing the duties articulated on 2 above.</p> <p>The employees responsible for the services mentioned in 2 (2.1 to 2.4) above be granted special leave on return of the others between January 2019 and 28 February 2019, and that these days not be exchanged for cash or overtime but be taken and special leave not taken by the mentioned months, would be forfeited.</p> <p>Payment date for salaries be the 20th of December 2018.</p> <p>On emergency cases Council mandates the Municipal Manager to take decisions in consultation with the Executive Mayor.</p> <p>Councillors be given contact details of the people who will be on standby preferably cell phone numbers.</p>			
CL1. 134	C08/10/18/R FINANCE: IRREGULAR EXPENDITURE FOR THE QUARTER ENDED 30 SEPTEMBER 2018	<p>RESOLVED</p> <p>THAT:</p> <p>1. Council take note that no irregular expenditure/deviations were incurred during the first quarter ended 30 September 2018.</p>	Chief Financial Officer	Council took note of the report	Complete
CL1. 135	C09/10/18/R FINANCE: FRUITLESS AND WASTEFUL EXPENDITURE	<p>RESOLVED</p> <p>THAT:</p> <p>Council takes note of the report and refers it to MPAC for further investigation.</p>	Chief Financial Officer/Office of the Speaker	Fruitless and wasteful expenditure has been referred to MPAC for further investigation.	Complete

Chapter 2

RESOLUTION NUMBER	ITEM DESCRIPTION	RESOLUTION BY COUNCIL	RESPONSIBILITY	PROGRESS	STATUS
				MPAC has received the report and has planned investigations.	In Progress
CL1. 136	<p>C10/10/18/R MUNICIPAL REVENUE MANAGEMENT SUPPORT PLAN: NATIONAL</p> <p>TREASURY MFIP SUPPORT FIRST QUARTER REPORT: JULY 2018 – SEPTEMBER 2018</p>	<p>RESOLVED</p> <p>THAT:</p> <p>That Council take note of the Progress Report on the Support from the National and Provincial Treasury</p> <p>That Council take note of the Revenue Enhancement Task Team Resolution Register and report on the implementation of the Integrated Municipal Revenue Support Plan</p>	Chief Financial Officer	<p>Council took note of the report</p> <p>Council took note of the resolutions from the Revenue Enhancement Task Team</p>	<p>Complete</p> <p>Complete</p>
CL1. 137	C11/10/18/R FINANCE: FINANCIAL AFFAIRS OF CHIEF ALBERT LUTHULI MUNICIPALITY FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018	<p>RESOLVED</p> <p>THAT:</p> <p>1. Council takes note of the financial affairs of Chief Albert Luthuli Municipality for the First Quarter ended 30 September 2018.</p>	Chief Financial Officer]Council took note of the report	Complete
CL1. 138	C012/10/18/R CORPORATE SERVICES: GOVERNANCE: CHIEF ALBERT LUTHULI CONTRACT MANAGEMENT POLICY	<p>RESOLVED</p> <p>THAT:</p> <p>Council takes note of the report on the Contract Management Policy.</p> <p>Council adopts the Contract Management Policy for Implementation.</p>	Director Corporate Services		

Chapter 2

RESOLUTION NUMBER	ITEM DESCRIPTION	RESOLUTION BY COUNCIL	RESPONSIBILITY	PROGRESS	STATUS
CL1. 139	C013/10/18/R OFFICE OF THE SPEAKER: GOOD GOVERNANCE: HANDBOOK FOR ADOPTION	<p>RESOLVED</p> <p>THAT:</p> <p>Council adopts the Councillor Handbook for implementation.</p>	Office of the Speaker		
CL1. 140	C014/10/18R GOVERNANCE: REPORTS OF THE SECTION 79 OVERSIGHT COMMITTEES REPORTING DIRECTLY TO THE COUNCIL (9/2)	<p>RESOLVED</p> <p>THAT:</p> <p>Council takes note of the Oversight Report covering the 4th Quarter Performance for the 2017/18 Financial Year.</p> <p>The Electricity Section to fast-track the process of filling its vacant positions.</p> <p>The PMU Section and Department of Community and Safety Services must speed up the final completion of the Carolina Taxi Rank.</p> <p>The PMU and Supply Chain Management must undertake roadshows on 30% local contracts.</p> <p>Council must establish a forum that will be constituted by DPWRT, SANRAL, GSDM and the Technical Services Department of CALM with a view to consider reports on state of national, provincial and municipal roads within the jurisdiction of the municipality.</p> <p>The municipality must give special attention to the Mayflower Water Treatment and Dun Donald Booster Pump station as a matter of urgency.</p>	Office of the Speaker/Accounting Officer	<p>The Budget Adjustment process to assist with the planned Ward Committee Summit by February and the enrolment of more Councilors specifically on Accountability, Ethics & Oversight Programs.</p> <p>Section 71 Reports to be sent to the MPAC Chairperson monthly for the monitoring of the ESKOM debt.</p>	<p>In progress</p> <p>In progress</p>

Chapter 2

RESOLUTION NUMBER	ITEM DESCRIPTION	RESOLUTION BY COUNCIL	RESPONSIBILITY	PROGRESS	STATUS
		<p>Service Level Agreements must be completed as and when an appointment of a service provider is concluded.</p> <p>Council must put aside sufficient budget provision to cover capacity building for Councilors and Ward Committees.</p> <p>A report on Job Evaluation must be a standing agenda item in Council meetings.</p> <p>Council must closely monitor the Debt Payment Plan to prevent the imminent rollout of PAJA by Eskom.</p>			
CL1. 141	C015/10/18/R GOOD GOVERNANCE: REPORT OF THE SECTION 79 OVERSIGHT COMMITTEE RESPONSIBLE FOR COMMUNITY AND PUBLIC SAFETY SERVICES	<p>RESOLVED</p> <p>THAT:</p> <p>Council takes note of the oversight report on Community and Public Safety department.</p> <p>The Department must partner with relevant municipal departments to provide a Jojo tank at Elukwatini library for drinking and flushing of ablution facilities.</p> <p>The department must engage the Department of Culture, Sport and Recreation to provide cushions to put on chairs for children in the kids' section.</p> <p>The department must find a way to dispose of the old computers and outdated books, most of which have been donated.</p> <p>The department must start to plan for equipment, personnel as well as other resources that will be required for the proper</p>	Office of the Speaker/Accounting Officer	<p>Supply Chain Management processes must be followed for the disposal of redundant assets</p> <p>Feasibility of additional budget for capacity will be assessed during Adjustment Budget period</p>	<p>In progress</p> <p>In progress</p>

Chapter 2

RESOLUTION NUMBER	ITEM DESCRIPTION	RESOLUTION BY COUNCIL	RESPONSIBILITY	PROGRESS	STATUS
		<p>functioning of the Elukwatini Fire Station, once construction is completed.</p> <p>The department must develop a strategy to help the Waste Pickers or Recyclers who currently make a living from selling the waste generated at eManzana Transfer Station and Elukwatini Landfill Site</p>			
CL1. 142	C016/10/18/R CORPORATE SERVICES: GOVERNANCE: ADOPTION OF THE PETITIONS POLICY	<p>RESOLVED</p> <p>THAT:</p> <p>Council adopts the Petitions Policy with the inputs/representations received from the Public Participation Exercise for implementation.</p>	Director Corporate Services	Petitions Policy in place	Petitions committee sits as and when there are submissions.
CL1. 143	C017/10/18/R POLICIES AND BY LAWS: TERMS OF REFERENCE FOR THE POLICIES AND BY LAWS COMMITTEE	<p>RESOLVED</p> <p>THAT:</p> <p>Council approves and adopts the Terms of Reference for the Policies and By Laws Committee.</p> <p>Council take note of the engagements of the Policies and By-laws Committee.</p>	Director Corporate Services	Committee sits periodically.	Policies and By-Laws Committee deals with submitted policies
CL1. 144	C018/10/18/R LOCAL GEOGRAPHICAL NAMING, RULES, PETITIONS AND ETHICS COMMITTEE: PETITIONS OF 2018	<p>RESOLVED</p> <p>THAT:</p> <p>Council takes note of the report.</p>	Manager Legal Services		
CL1. 145	C019/10/18/R: CORPORATE SERVICES: GOOD GOVERNANCE: ADOPTION	<p>RESOLVED</p>	Director Corporate Services	Thuma Mina Campaign adopted.	Council, Administration and the community are

Chapter 2

RESOLUTION NUMBER	ITEM DESCRIPTION	RESOLUTION BY COUNCIL	RESPONSIBILITY	PROGRESS	STATUS
	OF PRESIDENTIAL CALL: THUMA MINA (SEND ME) CAMPAIGN	THAT: Council takes note of the report on the Presidential Call: Thuma Mina Campaign as rendered by the President of the Republic during the 2018 State of the Nation Address. Council adopts the Presidential Call: Thuma Mina and complies with its objectives.			continually engaging on these programme.
CL1. 146	C020/10/18/R CORPORATE SERVICES: GOVERNANCE: IMPLEMENTATION OF COUNCIL RESOLUTIONS FOR THE FIRST QUARTER OF THE 2018/19 FINANCIAL YEAR (3/2/1/3)	RESOLVED THAT: 1. Council takes note of the progress report on the implementation of Council resolutions for the FIRST QUARTER) of the 2018/19 financial year (July-September 2018). 2. Council refers the report to the Section 79 Committees for oversight.	Director Corporate Services/Office of the Speaker.	Action plan circulated to all HOD's for implementation.	Responses consolidated.
CL1. 147	C021/10/18/R: CORPORATE SERVICES: APPOINTMENT OF MUNICIPAL ELECTORAL OFFICER	RESOLVED THAT: Council appoints Mr. CF Dlamini MEO for Chief Albert Luthuli Municipality (MP301) with effect from 01 st November 2018.	Director Corporate Services	Recommendation letter as per the Council Resolution was submitted to IEC Office at Elukwatini.	MEO partaking in IEC programmes.

Chapter 2

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

In terms of the MFMA (2003), Section 60(b), the municipal manager of a municipality is the accounting officer of the municipality for the purposes of the Act, and must provide guidance on compliance with the Act to political structures, political office bearers, and officials of the municipality, and any entity under the sole or shared control of the municipality.

The Municipality comprises five administrative departments, namely Corporate Services, Financial Services, Community and Safety Services, Technical Services (including Project Management), and Planning and Economic Development Services. All the Departments are working towards achieving the goals of the Municipality; hence their day-to-day activities are linked to the IDP.

The IDP on its own is a plan without money; it must be funded to be implemented. It is therefore linked to the Annual Budget in a plan that is called the Service Delivery and Budget Implementation Plan (SDBIP).

T 2.2.1

TOP ADMINISTRATIVE STRUCTURE

MUNICIPAL MANAGER (Mr. M.S. Dlamini)

- exercises the functions and powers assigned to an accounting officer in terms of the MFMA (2003);
- provides guidance and advice on compliance with the MFMA (2003) to the Political Structures, Political office-Bearers and officials of the Municipality;
- ensures the implementation of the IDP;
- provides all administrative responsibilities;
- takes responsibility for all Human Resource matters; Financial Management; Asset Management and procurement.

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Chapter 2

	<p>DIRECTOR: THE CHIEF FINANCIAL OFFICER (CFO) (*Mr. M.G.T. Mnisi)</p> <ul style="list-style-type: none">• is responsible for the overall administration of the Finance Department;• provides Strategic leadership in the Finance Department;• develops and continuously evaluates short and long-term strategic financial objectives;• ensures that internal financial targets and budget were fully consistent with the municipality's IDP, SDBIP and relevant agreements with other sectors of government. <p><i>*Assumed office on 1 January 2018</i></p> <ul style="list-style-type: none">•
	<p>ACTING DIRECTOR: CORPORATE SERVICES (Mr C F DALMINI)</p> <ul style="list-style-type: none">• ensures efficiency and functioning of the total administration of the municipality;• is responsible for the overall administration of the Corporate Services Department;• provides support at support council meetings;• co-ordinates and controls the activities of administration and records management,• co-ordinates legal services;• co-ordinates human resources; employment equity and skills development;• co-ordinates occupational health and safety;• co-ordinates committees;• co-ordinates the IDP, SDBIP and performance management. <ul style="list-style-type: none">•

Chapter 2

	<p>DIRECTOR: PUBLIC SAFETY & COMMUNITY SERVICES (Mr. J.W. Shabangu)</p> <ul style="list-style-type: none">• the overall administration of the Community and Safety Services Department;• management of waste removal;• support to Youth/Women/People Living with Disability;• provision of sport and recreational facilities;• provision and management of -• Libraries;• Cemeteries;• Parks and Gardens; and Environmental Health
	<p>DIRECTOR: PLANNING & ECONOMIC DEVELOPMENT (Mr. T.A. Lukhele)</p> <ul style="list-style-type: none">• is responsible for the overall administration of the Planning and Economic Development Department;• the overall strategic planning of the Municipality;• local economic development;• integrated development planning;• strategic planning and management;• human settlement; and town planning.
	<p>Acting DIRECTOR: TECHNICAL SERVICES (Mr. M.P. Magubane)</p> <ul style="list-style-type: none">• is responsible for the overall administration of the Technical Services Department;• co-ordinates electricity services;• co-ordinates water and sanitation services;• co-ordinates public works (roads and storm water);• co-ordinates operation and maintenance (O&M);• co-ordinates municipal infrastructure;• co-ordinates municipal fleet.

Chapter 2

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

In terms of the MSA (2000), Section 3, a municipality must exercise its executive and legislative authority within the constitutional system of co-operative governance envisaged in Section 41 of the Constitution (1996).

The Constitution (1996), Section 41, provides for co-operative governance in the three spheres of government. At National level is the Presidential Coordinating Forum and MinMec; at Provincial level is the Premier Co-coordinating Forum and the MunMec; and at District level are the Mayors Forum and Municipal Managers Forum.

T 2.3.0

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

SALGA, that sits on the National Intergovernmental Structures on behalf of municipalities and engages in policy deliberations, or legislative amendments, proposed bills, or any other matters that concern the local sphere of governance.

T 2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The Executive Mayor and Municipal Manager participate in the Premier Co-ordinating Forum and the MunMec structures.

T 2.3.2

RELATIONSHIPS WITH MUNICIPAL ENTITIES

Chief Albert Luthuli Municipality does not have municipal entities.

T 2.3.3

DISTRICT INTERGOVERNMENTAL STRUCTURES

Gert Sibande District Municipality has intergovernmental structures such as the Gert-Sibande District Municipality Municipal Manager's Forum, and Executive Mayor Forum.

T 2.3.4

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Chapter 2

In terms of the MSA (2000), Section 15(b), a municipality must establish and organise its administration to facilitate a culture of accountability amongst its staff; Section 16(i) requires that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance; and Section 18(i)(d) requires that a municipality must supply its community with information concerning municipal governance, management and development.

The Municipality submits quarterly reports and convenes bi-monthly Council meetings, which are attended by members of the community, Ward Committees as well as Community Development Workers from the 25 Wards of the Municipality; and mayoral izimbizo and IDP Forum meetings are attended by various stakeholders and communities.

Public participation in the Municipality is conducted in a structured manner. The directive from National government on the structuring of community participation is the ward committee system. Most liaison with communities is done through ward committee meetings.

Although ward committees provide for representation of communities on a geographical basis, there are also a number of sector interests not covered by ward committees that play a major role within the municipal area, such as education, business, manufacturing, and agriculture. Liaison with and involvement of such sector groups is therefore crucial in order to get a full picture of the current reality in the municipal area. Liaison with sector groups is done mainly through the IDP Representative Forum (IDPRF).

T 2.4.0

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

In terms of the MSA (2000), Section 18(i)(d), a municipality must supply its community with information concerning municipal governance, management and development.

The Municipality invites the community to meetings and events by means of the printed media, or by posting notices on the Municipal Website, at shops and at public places. The Municipality also uses local radio broadcasts on Radio Ligwalagwala, Kwekwezi FM and Radio Alpha to invite people to meetings.

Otherwise, the most common method used is loud-hailing in areas where a meeting or a municipal related event is planned. The community is used to this method of communication.

Budget Consultative Meetings

At Budget Consultative Meetings, Ward Committees are tasked to conduct public meetings and submit reports to the office of the Speaker.

IDP Representative Forum (IDPRF) Meetings

Chapter 2

IDP Representative Forum meetings are held at least quarterly, and are attended by sector departments who make presentations. The meetings are well attended by the community, and interaction between the community and the Municipality/sector departments is satisfactory.

T 2.4.1

WARD COMMITTEES

Ward Committees report to the office of the Speaker. They are required to meet once a month and submit reports to the office of the Speaker, which escalates issues raised to the Municipal Manager in order to have the various departments attend to it.

T 2.4.2

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Ward Committee Meetings	Monthly	32	3	0	Yes	Monthly
Sectional Consultative Meetings	Monthly	106	14	4056	Yes	Quarterly
Stakeholders Meeting/ Mayoral Izimbizo	Nov 2018, March 2019, May 2019, June 2019	49	14	600	Yes	Monthly

T 2.4.3

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

Public meetings are very effective and are attended by a number of stakeholders such as sector departments, members of the community, and Community Development Workers and Ward Committees from the 25 wards of the Municipality.

The Municipality provides transport for Councillors and Ward Committee members of the Municipality to attend public meetings.

At public meetings, members of the community have the opportunity to interact with their leaders, and their inputs are taken into cognisance when the IDP/Budget is being finalised.

Chapter 2

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	
T 2.5.1	

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Municipalities have a duty in terms of section 152(1)(a) of the Constitution (1996) to provide a democratic and accountable government for local communities. The hallmark of a democratic and accountable government is good governance characterised by political and administrative stability; functional governance and oversight committees; effective systems of internal control, such as internal audit committees, risk management and audit committees, IT governance, anti-corruption measures and functional Intergovernmental relations forums amongst others. This section provides a summary of the analysis of our municipalities in terms of good governance focusing on the characteristics of good governance outlined above.

T 2.6.0

2.6 RISK MANAGEMENT

2.6 RISK MANAGEMENT

RISK MANAGEMENT

Risk management is a key part of corporate governance, which is the way an organisation manages its business, determines strategy and objectives, and goes about achieving its objectives. Good risk management assists to identify and deal with key corporate risks facing the organisation in the pursuit of its goals, and is a key part of good management, not simply a compliance exercise.

Risk management is about improving the ability of the Municipality to deliver outcomes for the community by managing its threats, enhancing its opportunities, and creating an environment that adds value to ongoing activities.

Chapter 2

Risk management is an important aspect of the day to day activities of the Municipality, which is exposed to risk both in terms of threats to the provision of services, and from the potential of lost opportunities. It is essential that the Municipality demonstrates to its citizens that it fully considers the implications of risk, as it delivers its business for the benefit of its residents.

The Risk Management Executive Report is prepared as a reflection of the work performed during the 2018/19 financial year ended 30 June 2019. Its purpose is mainly to provide information on the benefits and effectiveness of the risk management function. In addition, the Annual Report serves to inform stakeholders on the progress that the Risk Management Section has made in the achievement of its objectives.

In terms of the MFMA (2003), Section 62(i)(c), a municipality must have and maintain an effective, efficient and transparent system of risk management; and the municipal manager is responsible for managing the municipality's financial administration. For this purpose, the municipal manager must take all reasonable steps to ensure, amongst others, that the municipality has and maintains effective,

RISK MANAGEMENT (CONTINUES)

Efficient and transparent systems of financial and risk management, internal controls, and control of internal audit, operating in accordance with any prescribed norms and standards.

In order to give effect to the above, the Municipal Manager established the Risk Management Committee in the Municipality. The Committee had 3 meetings in the 2018/19 financial year, the first and second quarter reports were considered in one meeting which was the first meeting. A schedule of Risk Management Committee meetings was developed to ensure that the Committee meets its obligations. The Risk Management Unit approved a Risk Management Policy, Strategy and Anti-Fraud and Corruption Policy. It also maintains a Strategic Risk Register, ICT Risk Register, Anti-Fraud and Corruption Risk Register, and Operational Risk Register.

The risk management process is designed to support members and officials in ensuring that the Municipality is able to fully discharge its risk management responsibilities in a consistent manner. The Municipality has a Risk Management Strategy that outlines the objectives, benefits, and approach to the process to ensure that risks, both positive and negative, are successfully managed.

The Municipality conducts regular risk assessments and maintains a Risk Register. The following are the top 6 risk areas of the Municipality:

- Unsustainable financial viability
- Inadequate provision of basic services
- Inadequate implementation of governance processes
- Inadequate institutional transformation
- Inadequate economic growth and job creation in order to attract credible investors
- Inadequate land for developments

T 2.6.1

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

The Municipality is committed to develop and foster a climate within the Municipality where all employees strive for the ultimate eradication of fraud, corruption, theft, and maladministration by application of the full spectrum of both pro-active and re-active measures at their disposal.

Chapter 2

The Municipality has a Fraud Prevention Policy, which sets out the stance of the Municipality to fraud as well as enforcing existing regulations aimed at preventing, reacting to, and reducing the impact of fraud, corruption, theft, and maladministration where these dishonest acts subsist.

The Policy applies to all fraud, corruption, theft, maladministration or suspected irregularities of similar nature involving all employees of the municipality, Councilors, consultants, suppliers, contractors and other providers of goods or services to the Municipality and communities and other parties receiving benefits from the Municipality and employees of donors/clients/stakeholders.

T 2.6.1

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The municipality is currently utilising the provincial hotline (0800 701 701) and presidential hotline (17737) for the reporting of all suspected fraud and corruption, The municipality is in process of establishing its own anti-fraud and corruption hotline.

The firm stance of the municipality is that:

- fraud and corruption will not be tolerated – zero tolerance will be enforced;
- all incidents will be investigated and followed up by the application of all remedies available within the full extent of the law;
- all incidents of fraud and corruption will be reported to the South African Police Service(SAPS) for criminal prosecution; and
- losses or damages suffered will be recovered from the responsible employee/councillor if he/she is liable according to the law

T 2.7.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

Chapter 2

The municipality has a Supply Chain Management (SCM) policy in place. The SCM policy is developed in terms of Section 111 of the Municipal Finance Management Act, Act 56 of 2003 and section 217 of the Constitution of the Republic of South Africa. The principles of this policy is to give effect to a fair, equitable, transparent, competitive and cost-effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of municipal services. Furthermore, the municipality has developed and implemented a fraud prevention plan in order to enforce good governance and good conduct.

All contracts awarded during the current financial reporting period were reported quarterly to Council and published on the municipal website.

T 2.8.1

2.9 BY-LAWS

By-laws Introduced during 2017-18 financial year					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
Fire Brigade By law	New	No	May 2017	Yes	June 2018
Liquor Trading By law Suppression of Nuisance By law	New	No	August 2019	Yes	August 2019
*Note: See MSA section 13.					T 2.9.1

COMMENT ON BY-LAWS:

All by-laws implemented during the 2017-18 financial reporting period were approved by the municipal council as prescribed in terms of MSA 2000 s11 (3) (m).

T 2.9.1.1

2.10 WEBSITES

Municipal Website: Content and Currency of Material	
Documents published on the Municipality's / Entity's Website	Yes / No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report for 2018/19	Yes
The annual report 2016-17 published/to be published	Yes

Chapter 2

All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2016-17) and resulting scorecards	Yes
All service delivery agreements 2018/19	Yes
All long-term borrowing contracts 2018/19	Yes
All supply chain management contracts above a prescribed value R200 000 for 2018/19	Yes
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2018/19	Yes
Contracts agreed in 2018/19 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	Yes
Public-private partnership agreements referred to in section 120 made in 2018/19	Yes
All quarterly reports tabled in the council in terms of section 52 (d) during 2018/19	Yes
<i>T 2.10.1</i>	

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The municipality complied with the website requirements.

T 2.10.1.1

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFCATION LEVELS

There was no community survey conducted during the financial year.

Chapter 3

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

INTRODUCTION

In terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) (the MSA), a municipality must prepare for each financial year an annual performance report reflecting the performance of the municipality and of each external service provider during that year, and in terms of section 127 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) (the MFMA).

T 3.0.1

COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

INTRODUCTION TO BASIC SERVICES

This report is compiled in terms of the legislative requirements of Chapter 6 of the said MSA and Chapter 12 for the said MFMA. The MSA prescribes the role of each sphere of government in the municipal performance reporting.

Section 46 of the MSA states that:

A municipality must prepare for each financial year a performance report reflecting, the performance of the municipality and of each external Service provider during that financial year; also a comparison of the performances referred to paragraph (a) with targets set for and performances in the previous financial year; and measures taken to improve performance.

An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the MFMA.

Section 121(1) of the MFMA requires that - Every municipality and every entity must for each financial year prepare an annual report. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

The main purpose of this report is to account to Council, the MEC for Local Government, Provincial Legislature, the Minister of Cooperative Governance and Traditional Affairs, National Treasury, the Auditor-General and ultimately to all the citizens of South Africa on progress being made by the Municipality towards achieving the overall goal of "a better life for all". Furthermore, the report is a key performance report to the communities and other stakeholders in keeping with the principles of transparency and accountability of government to the citizens. It subscribes to the South African developmental nature of participatory democracy and cooperative governance and responds to the principles of the Constitution, Batho Pele, and White Paper on Local Government, MSA and the MFMA.

According to the provisions of the MSA a municipality must monitor and measure the progress of their performance by preparing quarterly and mid-year performance reports, in terms of Chapter 6 of the MSA, on performance management systems as well the MFMA Section 127.

These quarterly reports in terms of Section 54 of the MFMA and Section 72 mid-year reports make up the Municipal annual performance reports (Section 46 report), which is submitted to the Auditor-General, together with the financial statements, for auditing. After adoption of the audited performance report by the municipal council, it must then be submitted to the MEC for Local Government.

Chapter 3

This report presents an analysis and comparison of past and current progress on performance which has been conducted. It has been formed by all the quarterly reports and indicated above, they were consolidated into this report termed the Annual Performance Report (APR). The report is structured in terms of the Key Performance Areas (KPA) and grouped in program according to each KPA.

T 3.1.0

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

Legislative Requirements

The Municipality is a Water Service Authority. The Water and Sanitation section was mandated to provide water services as per the WSA (1997). The section was further responsible for the operation, maintenance and upgrading of water and sanitation infrastructure; and also for issues related to water quality monitoring.

The Municipality had five conventional water treatment works and four water treatment package plants. The operation and maintenance of the infrastructure was done internally by the Technical Services team, while other major repair and maintenance services were delegated to contracted service providers. The existing infrastructure did not meet the demand of the current population, which led to limited supply to other areas, particularly in Eerstehoek and Empuluzi where water supply was rationed. Reliable, uninterrupted and constant water supply was further affected by power supply outages and breakdowns of equipment caused by ageing of infrastructure.

The Municipality provided water services to deep rural communities by means of water tankers, and electrified rudimentary boreholes connected to raised tanks, and hand pumps.

The Water and Sanitation section, like other sections in the Technical Services Department, was faced with the challenge of ageing infrastructure, resulting in high water losses, and disruptions of water supply.

Mandates

Provision of basic water and sanitation services through supply of clean drinking water to all settlements including deep rural areas; collection and treatment of wastewater to encourage cleaner environment; maintaining water and sewer network; and cleaning reservoirs.

Responsibilities

Notwithstanding the United Nations declaration on universal access to water and sanitation, the South African Constitution and supporting legislation, such as the Water Services Act, placed the responsibility on Water Service Authorities to ensure that communities had access to adequate and safe water and dignified sanitation. The Municipality also had a responsibility to eliminate water wastage, and to account for each drop of water throughout the value chain, which was from abstraction to distribution.

Achievements

Chapter 3

Collected and successfully analyzed 520 water samples, provided at least 81% (43 856) households with basic water services within the RDP standard (Including 4 920 registered indigent households). Provided 8 loads/day by 9 water tankers to 4 821 households in deep rural areas (40 megalitres), thus equaling and average of 23 liters per person per day.

Challenges

South Africa is one of the world's driest countries and has faced serious worsening droughts year on year. When rivers dried up and rain was not coming sooner than it should, water supply became highly stressed, and the Municipality was forced to ration supply to ensure that there was some water for all citizens as opposed to supply all the water to some residents

Another challenge the Municipality faced, was that of financing the operation and maintenance of water services infrastructure. The Municipality's inability to collect revenue and enforce the credit control policy, particularly in tribal lands and predominantly supplied electricity by Eskom is supplying electricity, resulted in financial constraints for the Municipality. The Municipality was thus unable to carry out adequate maintenance on the water infrastructure.

Water Backlogs

Challenges

The main challenge for remained the provision of water in deep rural areas and areas outside the bulk water infrastructure. The Municipality continued to supply water to these settlements through rudimentary boreholes and water tankers.

Intervention

The Municipality commends the wonderful job done by project management team comprised of Chief Albert Luthuli's, Gert Sibande District Municipality and the department of water and sanitation for the successful implementation of the first regional bulk infrastructure project (Lusushwane Regional Bulk Water Scheme project) which had three phases and was delivered completed on time and on budget.

Moreover, two refurbishment projects were undertaken at Methula and Mpuluzi water schemes during the financial year under review.

Recommendations

GSDM, CALLM and Department of Water and Sanitation need to expedite the implementation of the RBIG projects (Eerstehoek and Mpuluzi-Methula schemes); and the Municipality needs to scale up the collection of additional revenue to ensure sustainable operations, maintenance, refurbish and replace aged infrastructure.

Conclusion

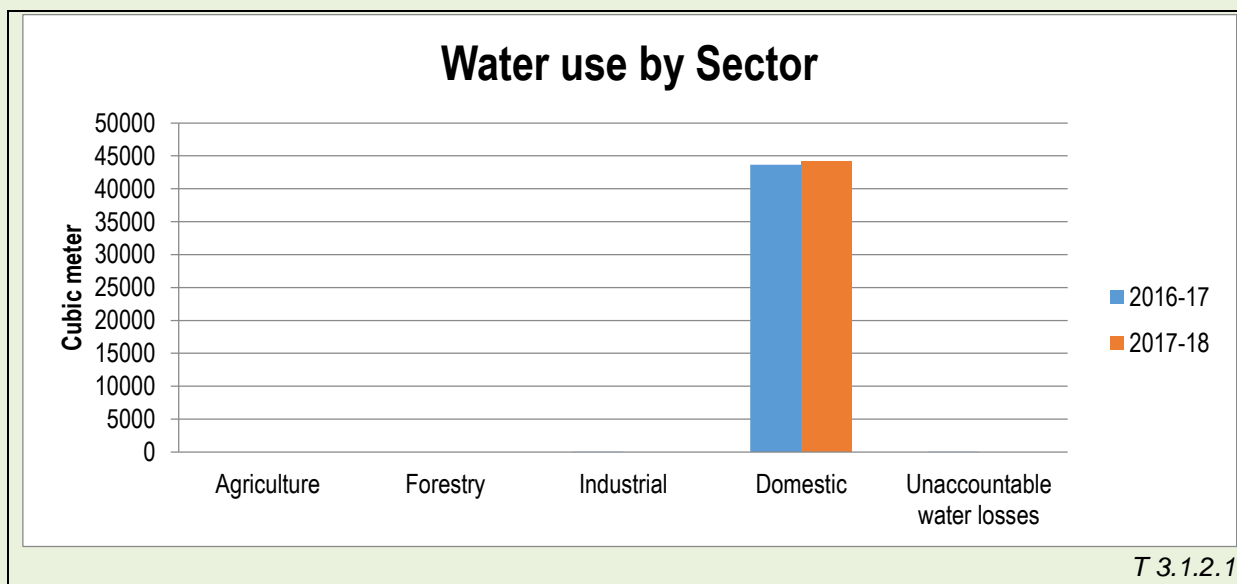
Chapter 3

The Municipality was looking at regional bulk water schemes to increase access to piped water to areas currently not supplied through the distribution network. Applications had been submitted to RBIG and were approved. The completion of Lusushwane Regional Bulk Water Scheme project will assist part of the areas currently supplied by boreholes and water tankers.

T 3.1.1

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2017-18	0	0	0	44 124	0
2018-19	0	0	0	44 124	0

T 3.1.2



T 3.1.2.1

COMMENT ON WATER USE BY SECTOR:

The last common enemy of water resources are alien plants and wattle, which consumed a sizeable volume of water. These threat together with that of water pollution (acid mine drainage, agriculture, oil spillages, and sewage spillages are going to render natural water resources not fit for human consumption. Lastly, the prevailing drought condition has not spared the Municipality. Our major rivers continue to drop at alarming rates and boreholes are drying up, conservative use of water and reduction of water losses cannot be over-emphasised

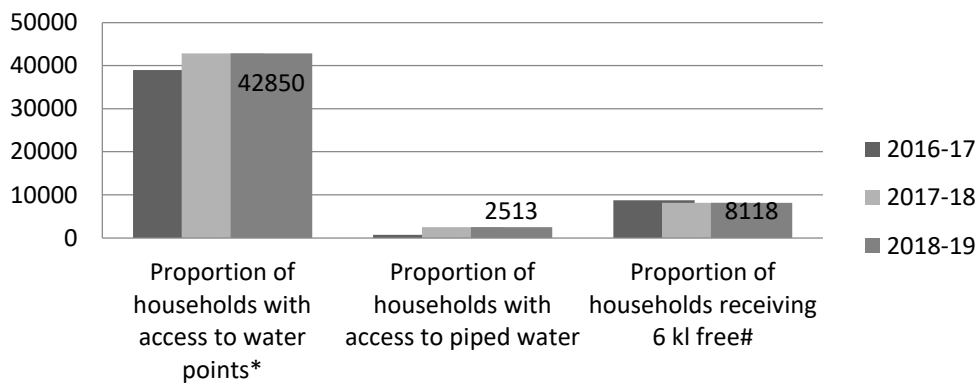
T 3.1.2.2

Water Service Delivery Levels	Households	
Description	2017-18	2018-19
	Actual	Actual

Chapter 3

	No.	No.
<u>Water: (above min level)</u>		
Piped water inside dwelling	12 429	20240
Piped water inside yard (but not in dwelling)	28 303	22644
Using public tap (within 200m from dwelling)	6 330	4821
Other water supply (within 200m)		
<i>Minimum Service Level and Above sub-total</i>	47 062	47705
<i>Minimum Service Level and Above Percentage</i>	88%	89%
<u>Water: (below min level)</u>		
Using public tap (more than 200m from dwelling)		
Other water supply (more than 200m from dwelling)	6 418	5775
No water supply		
<i>Below Minimum Service Level sub-total</i>	6 418	5775
<i>Below Minimum Service Level Percentage</i>	12%	10,8%
Total number of households*	53 480	53480
<i>* - To include informal settlements</i>		<i>T 3.1.3</i>

Access to Water



* Means access to 25 liters of potable water per day supplied within 200m of a household and with a minimum flow of 10 liters per minute

6,000 liters of potable water supplied per formal connection per month

T 3.1.5

Chapter 3

S	Dep No. (ii)	Water Service Policy Objectives Taken from IDP	2018/19				2018/19			
		Outline Service Targets	Target	Actual	Target *Current Year (vi)	*Actual (vii)	Status Achieved Not achieved Not applicable	Reason for deviations	Portfolio of Evidence	Measures Taken to Improve Performance
		(KPI) (iii)	*Previous Year (iv)	(v)						
KPA: Access to Water										
78	9.	Number of boreholes maintained.	10	36	10	42	Achieved	The target was over achieved due to corrective maintenance performed	Job cards	The target will be reviewed as part of mid-term assessment and adjusted accordingly
79	13.	KMs of water pipelines replaced.	5	12,8	5	13.12	Achieved	The target was over achieved due to a water project which was not completed on the previous year were completed in 2018/19 Financial year resulting in the over achievement of the target.	Completion certificates	Monitoring process will be strengthened to ensure that planned programmes are completed on the planned financial year.
80	14.	KMs of distribution network maintained	12	0.992	5	21.78	Achieved	The target was over achieved due to more Emergencies	Job cards	Not applicable

Chapter 3

								maintenance performed in the current year		
81.	16.	Reduction of water distribution losses %.	16%	28.57%	2%	-293%	Not Achieved	Target was not achieved due to aging infrastructure	Water distribution losses schedule calculated from disclosure note made on the Annual Financial Statements	<p>The municipality is in the process of replacing aging distribution network infrastructure</p> <p>.this indicator will also be reviewed as part of mid-term assessment for 2019-2020 financial year.</p>
Vbbvfvcvdf45		<div style="text-align: right;"> T 3.1.6 </div>								

Chapter 3

Employees: Water Services					
5 Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	27	150	141	30	20%
T 3.1.7					

Financial Performance 2018-19: Water Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	20 979	38 800	38 800		
Expenditure	53 468	58 971	58 971		
Total Operational Expenditure	53 468	58 971	58 971		
Net Operational Expenditure	32 489	20 171	20 171		
6	T 3.1.8				

Capital Expenditure 2018-19: Water Services					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget %	Total Project Value
Total All	39 674	43 368	43 368	9	
Upgrading of Eerstehoek Water Scheme	34 674	34 674	34 674	0	34 674
Replacement of AC Pipes at Ekulindeni Water Scheme: Phase 1	5 000	5 884	5 884	18	5 884
Replacement of AC Pipes at Eerstehoek Water Scheme: Sabatha Section	0	2 810	2 810	100	2 810
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					
T 3.1.9					

Chapter 3

COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

Technical service department budgeted for R39, 674m on water capital projects and adjusted to R43, 368 m during adjustment period. The total budget was spent during the year under review.

T 3.1.10

3.2 WASTE WATER (SANITATION) PROVISION

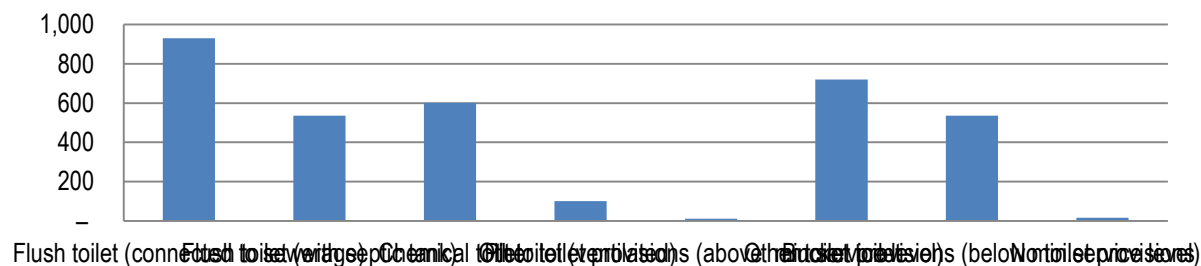
INTRODUCTION TO SANITATION PROVISION

The Municipality tries its best to provide sanitation services. Previously, the Municipality provided VIP toilets as a sanitation technology in areas where waterborne sanitation infrastructure was unavailable, largely due to the fact that the Municipality is mainly rural. Following the Mpumalanga Provincial Legislature directive that the Municipality should explore alternative sanitation technology, the Municipality piloted smartsan toilet technology.

In 2018-19 the Municipality has constructed 500 convertible toilets. Some of the toilets have reached their carrying capacity and are no longer in use.

T 3.2.1

Sanitation/Sewerage (above minimum level): 2018-19



T 3.2.2

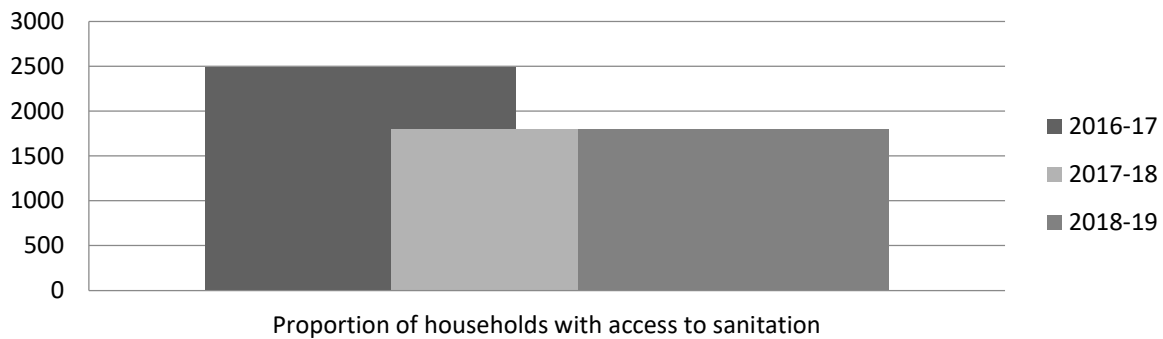
Chapter 3

Sanitation Service Delivery Levels		
Description	*Households	
	2017-18	2018-19
	Outcome	Actual
	No.	No.
<u>Sanitation/sewerage: (above minimum level)</u>		
Flush toilet (connected to sewerage)	10 245	10 744
Flush toilet (with septic tank)	813	2032
Chemical toilet	1 500	2000
Pit toilet (ventilated)	26 519	20062
Other toilet provisions (above min.service level)	12 572	17100
<i>Minimum Service Level and Above sub-total</i>	51 649	51 938
<i>Minimum Service Level and Above Percentage</i>	96,6%	97.1%
<u>Sanitation/sewerage: (below minimum level)</u>		
Bucket toilet	0	0
Other toilet provisions (below min.service level)	30	
No toilet provisions	1 801	1542
<i>Below Minimum Service Level sub-total</i>	1 831	1542
<i>Below Minimum Service Level Percentage</i>	3,4%	3.3%
Total households	53 480	53 480
*Total number of households including informal settlements		<i>T 3.2.3</i>

Households - Sanitation Service Delivery Levels below the minimum				
Description	Households			
	2016-17	2017-18		
	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.
Formal Settlements				
Total households	53 480	53 480		
Households below minimum service level	1 831	1542		
Proportion of households below minimum service level	3%	3%		
Informal Settlements				
Total households	53 480	53 480		
Households ts below minimum service level	5 206			
Proportion of households ts below minimum service level	10%			
				<i>T 3.2.4</i>

Chapter 3

Access to Sanitation



T 3.2

Employees: Sanitation Services

Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	26	26	22	04	15%

T 3.2.7

Financial Performance 2018-19: Sanitation Services

R'000

Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget %
Total Operational Revenue	5 446	5 599	5 599		
Expenditure	1 875	2 405	2 405		
Total Operational Expenditure	1 875	2 405	2 405		
Net Operational Expenditure	-3 571	-3 194	- 3 194		

T 3.2.8

Capital Expenditure 2018-19: Sanitation Services

R' 000

Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget %	Total Project Value
Total All	27 000	14 825	14 825	-45	

Chapter 3

Upgrading of Empuluzi Waste Water Treatment Works	10 000	2 778	2 778	-72	2 778
Installation of Smartsan or Environsan Toilets	7 000	9 274	9 274	32	9 274
Upgrading of Elukwatini Waste Water Treatment Works	10 000	2 773	2 773	-72	2 773

T 3.2.9

COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

Technical service department budgeted R27m and adjusted to R14, 825m as per the adjusted budget on sanitation capital projects. This was due to the design concepts as our plants are old ponds with no as built drawings. The total capital expenditure budget was spent for the year under review.

T 3.2.10

3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

Background

Legislation include the Electricity Amendment Acts (1989); (1994); (1995); the Electricity Regulation Act (2006); Municipal Electricity License and NERSA regulations. The Municipality was licensed to distribute electricity in Carolina, Silobela and part of Emanzana (Badplaas). Other areas within the jurisdiction of the Municipality were licensed to Eskom. The provision of Electricity services to the licensed areas is the responsibility of the Technical Services Department Services. The department ensures the provision of electricity to consumers in terms of the Municipal Electricity License and various NERSA regulations. The department also ensures the expansion and maintenance of the electricity distribution network so as to maintain firm and regulated quality of supply through the network. Furthermore, the department maintained streetlights and high mast lights.

Responsibilities

To supply electricity to households and businesses and maintain electricity infrastructure in order to ensure uninterrupted continuous supply at all times.

Achievements

1759 registered indigents received free basic electrical services.

One hundred and Five kilometers of distribution network had been successfully maintained where even faults or outages were carried out successfully which ensured the continuity of electricity supply to customers/ end users; and

Two sub-stations were maintained during the year under review.

The municipality managed to develop draft energy master plan awaiting for approval

Upgrading of Silobela Substation to 3MVA

Challenges

Theft and vandalism of electricity infrastructure;

Exceeding of Notified Maximum Demand;;

Shortage of own plant machinery (crane truck);

Shortage of Staff (NB: meter technician or specialist);

Exceeding of Notified Maximum Demand;

Unavailability of Master Plan and

Ageing of infrastructure.

Unavailability of network monitoring system

Chapter 3

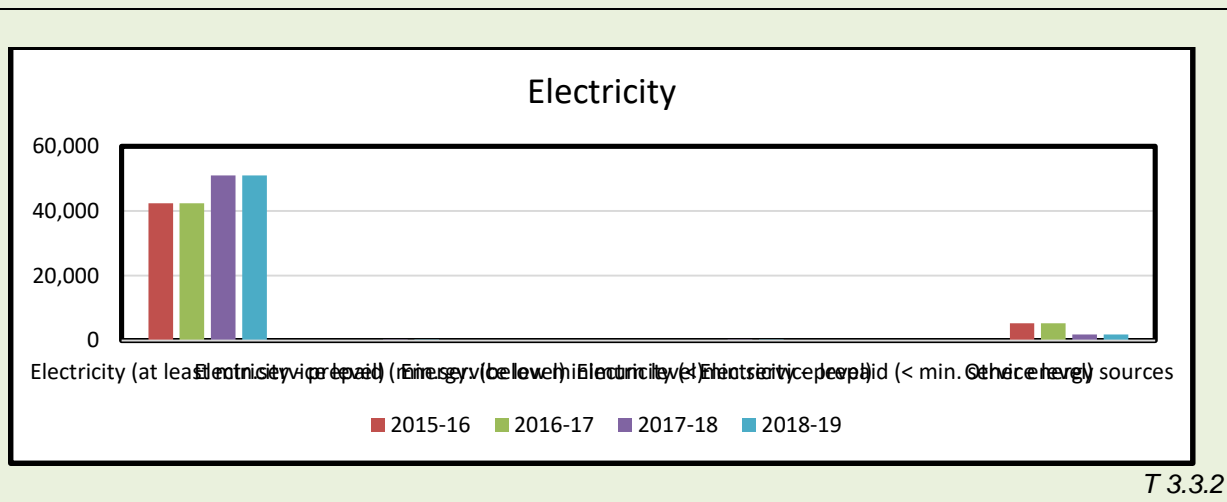
Proposed Solutions

Approve the draft Develop an Electricity Master Plan and Operation & Maintenance Plan;
Full implementation of smart meter technology;
Procure own crane truck; and
Adding of staff

Future Outlook

Ring fence the Electricity section;
Extend the Municipality's license to the other areas within the Municipality which are currently supplied by Eskom; and
To add sub Section to other unit offices

T 3.3.1



Electricity Service Delivery Levels	Households	
Description	2017-18	2018-19
	Actual No.	Actual No.
<u>Energy: (above minimum level)</u>		
Electricity (at least min.service level)	50 998	50 998
Electricity - prepaid (min.service level)	309	339
<i>Minimum Service Level and Above sub-total</i>	51 307	51 337
<i>Minimum Service Level and Above Percentage</i>	95,9%	96%
<u>Energy: (below minimum level)</u>		
Electricity (< min.service level)	271	271
Electricity - prepaid (< min. service level)	0	0
Other energy sources	1 902	1 872
<i>Below Minimum Service Level sub-total</i>	2 173	2 143
<i>Below Minimum Service Level Percentage</i>	4,1%	4,0%
Total number of households	53 480	53 480
T 3.3.3		

Chapter 3

Households - Electricity Service Delivery Levels below the minimum		Households		
Description	2017-18	2018-19		
	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements				
Total households	53 480	10787	10787	8504
Households below minimum service level	2 173	38495	38495	47705
Proportion of households below minimum service level	4%			
Informal Settlements				
Total households	53 480	65417	65417	65417
Households ts below minimum service level	1 902			
Proportion of households ts below minimum service level	4%			
T 3.3.4				

Chapter 3

IDP/SDBIP No. (i)	Dep No. (ii)	Electricity Service Policy Taken from IDP	2018/19		2018/19					Measures Taken to Improve Performance
		Outline Service Targets	Target	Actual	Target *Current Year (vi)	*Actual (vii)	Status Achieved Not achieved Not applicable			
		(KPI) (iii)	*Previous Year (iv)	(v)			Reason for deviation	Portfolio of Evidence		
KPA: Access to Electricity										
72.	3.	KMs of electricity network maintained.	25	59,65	25	89.93	Achieved	The target was over achieve due to more emergency maintenance performed	Inspections sheets	Not Applicable
73	4.	Number of electricity meter kiosks maintained.	100	22	20	42	Achieved	The target was over achieved due to more kiosks vandalised by the community	Daily work forms	Not Applicable
74.	6.	Number of electricity substations upgraded	1	0	1	1	Achieved	Not Applicable	Service Providers report	Not Applicable
75.	7.	Number of electricity substations maintained.	0	2	1	1	Achieved	Not Applicable	Daily work forms or reports	Not Applicable
76	8.	Number of electricity transformers maintained.	105	44	44	89	Achieved	The target was over achieved due to more emergency maintenance performed	Inspection sheets	Not Applicable

Chapter 3

77		Reduction of electricity distribution losses %.	18%	-1%	2%	0.03%	Not achieved	The target was not achieved due to aging electricity infrastructure, that caused more maintenance as reported above.	Electricity distribution losses schedule made form disclosure note on the Annual Financial Statements	<p>The municipality is currently in the process of replacing faulty electricity meters including the conversion from post-paid metering to prepaid metering and the replacement of aging electricity infrastructure.</p> <p>The target will also be revised as part of 2019-2020 mid-year assessment</p>
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Chapter 3

Employees: Electricity Services					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	9	10	8	2	20%
T 3.3.6					

Financial Performance 2018-19: Electricity Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	30 232	36 458	36 458		
Expenditure:					
Expenditure:	37 255	89 657	89 657		
Total Operational Expenditure	37 255	89 657	89 657		
Net Operational Expenditure	7 023	53 199	53 199		
T 3.3.7					

Capital Expenditure 2018-19 Electricity Services					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	8 334	8 334	8 334	0%	
Construction of High mast lights	8 334	8 334	8 334	0%	8 334
T 3.3.8					

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

There was only one capital project planned for the year for electricity with a total budget of R 8,334m and was fully spent.

T 3.3.9

Chapter 3

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

INTRODUCTION TO WASTE MANAGEMENT

This Section includes refuse collection, waste disposal, street cleaning, and illegal dumping control. Environmental and Waste Management are constitutional obligations in terms of section 24 of the National Environmental Management Act (2000), and also oblige a municipality to provide and manage their waste disposal according to certain standards. Waste is briefly defined as follows: any substance, material or object, that is unwanted, rejected, abandoned, discarded or disposed of, or that is intended any substance, material or object, that is unwanted, rejected, abandoned, discarded or disposed of, or that is intended or required to be discarded or disposed of by the holder of that substance, material or object, whether or not such substance, material or object can be re-used, recycled or recovered and includes all wastes as defined in Schedule 3 to this Act; or other substance, material or object that is not included in Schedule 3 that may be defined as waste by the Minister by notice in the Gazette, but any waste or portion of waste, referred to in paragraphs (a) and (b), ceases to be waste -

- i) once an application for its re-use, recycling or recovery has been approved or, after such approval, once it is, or has been re-used, recycled or recovered;
- ii) where approval is not required, once waste is, or has been re-used, recycled, or recovered;
- iii) where the Minister has, in terms of section 74, exempted any waste or a portion of waste generated by a particular process from the definition of waste; or
- iv) where the Minister has, in the prescribed manner, excluded any waste stream or a portion of a waste stream from the definition of waste.

The Municipality struggles to do waste recycling that has the potential to create job opportunities, which were critically needed.

The Municipality is faced with the challenge of providing waste management services since it has to deal with the legacy of unpermitted, unclosed, and unrehabilitated landfill sites.

The Municipality is faced with the challenge of construction of transfer station and, the operation and maintenance of Elukwatini Landfill site

The mounting operational expenses coupled with huge negative environmental risks and challenges posed by those sites, as well as other challenges to manage the generation of increased waste due to increased economic development, and mining and industrial activities within the Municipality, remain a huge challenge.

The number of households in the Municipality, both formal and informal, amounted to 53 480. The number of households that receive waste collection services in the Municipality amounted to 13 409. The Municipality was able to provide this service in spite of limited resources.

Refuse is collected according to a schedule, once a week.

Major achievements include:

- Provision of the kerb-side waste removal to 13 409 households weekly
- Rehabilitation of Silobela Disposal site
- Installation of 'No Dumping' signs
- Provision of additional skip bins for Elukwatini and Empuluzi
- Proper maintenance of equipment's and tools
- Distribution of 500 household bins

Chapter 3

6

Major challenges include:

- Lack of household refuse bins at informal settlements
- Unrehabilitated disposal sites and dongas that lead to dumping spots
- Uncontrollable illegal dumping spots
- Rehabilitation of Elukwatin Landfill site

Progress made with waste disposal, street cleaning, and recycling:

- Street Cleaning: 4.2km streets and main roads are swept daily
- Recycling: currently no recycling process, only monitoring of informal recyclers

Top 3 Service Delivery Priorities and the impact on them during the year:

- Waste Management
- Ensured that refuse removal and street cleaning services are properly operated and managed
- Minimised illegal dumping and littering
- Ensured that the refuse removal service in peri-urban and rural areas was rendered

Measures taken to improve performance and the major efficiencies achieved during the year:

- The finalisation of the IWMP
- Erected “No Dumping” signs
- Carolina Landfill Site and Empuluzi Cemeteries
- Identification and response to communities living in poverty and are deficient in this basic service
- Skip bins were placed at strategic places for communal use in areas like informal settlements

T 3.4.1

56666Solid Waste Service Delivery Levels		Households	
Description	2017-18	2018-19	
	Actual No.	Actual No.	
<u>Solid Waste Removal: (Minimum level)</u>			
Removed at least once a week	8 041	12909	
<i>Minimum Service Level and Above sub-total</i>	8 041	12909	
<i>Minimum Service Level and Above percentage</i>	15,0%	27	
<u>Solid Waste Removal: (Below minimum level)</u>			
Removed less frequently than once a week	516		
Using communal refuse dump	3 522		
Using own refuse dump	33 922		
Other rubbish disposal	119		
No rubbish disposal	7 360		
<i>Below Minimum Service Level sub-total</i>	45 439	45439	
<i>Below Minimum Service Level percentage</i>	85,0%	73	
Total number of households	53 480	53480	

T 3.4.2

Chapter 3

565

Households - Solid Waste Service Delivery Levels below the minimum		Households		
Description	2017-18	2018-19		
	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements				
Total households	53 480	10787	10787	8504
Households below minimum service level	38 079	38495	38495	47705
Proportion of households below minimum service level	71%			
Informal Settlements				
Total households	53 480	65417	65417	65417
Households ts below minimum service level	7 361			
Proportion of households ts below minimum service level	14%			
T 3.4.3				

6677TRF

Chapter 3

IDP/SDBIP No. (i)	Dep No. (ii)	Waste Management Service	2018/19		2018/19					
		Outline Service Targets	Target	Actual	Target *Current Year (vi)	*Actual (vii)	Status Achieved/ Not achieved Not applicable	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		(KPI) (iii)	*Previous Year (iv)	(v)						
KPA: Waste Management										
88	1.	Number of areas receiving refuse removal.	6	6	6	6	Achieved	Not Applicable	Weekly plans	Not Applicable
89.*	2.	Number of refuse bins supplied to billable households.	1 000	0	500	501	Achieved	The target was over achieved due to additional household bins sourced within municipal stock.	List of beneficiaries	Not applicable
90.	3.	Number of landfill sites maintained.	5	5	5	5	Achieved	Not applicable	Weekly plans and trip authorities	Not applicable
T 3.4.4										

Chapter 3

Employees: Solid Waste Management Services					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	34	34	32	4	11
T3.4.5					

Financial Performance 2018-19: Solid Waste Management Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	10 252	10787	10787	8504	2283
Expenditure	4 703	7675	7675	8074	399
Total Operational Expenditure	4 703	7675	7675	8074	399
Net Operational Expenditure	-5 549	3112	3112	430	2692
T 3.4.7					

COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:

The operation of Carolina Landfill Site has commenced by contracted services

T 3.4.10

3.5 HOUSING

INTRODUCTION TO HOUSING

Chief Albert Luthuli Municipality did not build any houses during the year under review as this is the responsibility of the Department of Human Settlement.

T 3.5.1

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The Municipality supplies free basic electricity services to 1 759 registered indigent households.

T 3.6.1

Chapter 3

T 3.6.2

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R1,100 per month								
			Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
		Total	Access	%	Access	%	Access	%	Access	%
2017-18	53 480	53 480	1 759	3%	40 591	76%	1 759	3%	536	1%
2018-19										

T 3.6.3

Financial Performance 2018-19: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2017-18	2018-19			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	53468				
Waste Water (Sanitation)	1875				
Electricity	37255				
Waste Management (Solid Waste)	4703				
Total	97301				

T 3.6.4

Chapter 3

IDP/SDBIP No. (i)	Dep No. (ii)	Free Basic Service Policy Objectives Taken From IDP	2018/19		2018/19					
		Outline Service Targets	Target	Actual	Target *Current Year (vi)	*Actual (vii)	Status Achieved/ Not achieved/ Not applicable	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		(KPI) (iii)	*Previous Year (iv)	(v)						
Access to Electricity										
71	1	Number of registered indigent households receiving free basic electricity services.	1 300	1 759	1 759	4 322	Achieved	Not Applicable	Register of indigents households	Not Applicable
T 3.6.5										

Chapter 3

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

Free basic services are provided to qualifying indigent households. In the 2018/19 financial year an average of 90% of qualifying households received free basic water and sanitation services, 16% of qualifying households in the Municipality's supply area (Carolina and part of Emanzana) received free basic electricity, and less than 1% of qualifying households received the discounted refuse removal service. Due to the rural nature of the municipal area, it is not possible to provide the refuse removal service to all households.

T 3.6.6

COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (stormwater drainage).

INTRODUCTION TO ROAD TRANSPORT

The Public Works section is mainly responsible for maintenance and upgrading of existing roads infrastructure (gravel and surfaced), bridges, and storm water drainage system in the entire Municipality. The maintenance involves activities such as blading, patching of potholes, construction of concrete water channels, laying of kerbs, and re-gravelling in trying to elongate the life-span of the road infrastructure and also create conducive and safely infrastructure for users. Currently the Municipality has a total road network of about 649km of which 81% are considered as gravel roads, and most of the gravel roads are at the worsen situation and located on the rural areas of the municipality as some are bladed to pipeline and eroded due to heavy rainfall.

T 3.7

3.7 ROADS

INTRODUCTION TO ROADS

Mandate and Responsibility

To ensure the entire road network of council is on the acceptable standard to all road users.

Achievements

The Section succeeded on the following

Created at least 120 job opportunities through the EPWP.

- Spent 100% of the EPWP grant.
- At least 4 Speed humps were constructed
- Repaired an area of 684m² surfaces of most municipal roads.
- Attend at least 235.3km of gravel roads through blading.

Challenges

Chapter 3

During the 2018/19 financial year, the Roads and Storm Water Section was unable to perform its activities at peak, such as construction of footbridges since there is immensely demand from deep rural areas. This could be in the main be attributed to recurring breakdowns of graders and inadequate heavy/ yellow fleet. Unavailability of other construction machinery also contributed to the Section's failure to carry out its activities effectively. Furthermore, the Section experienced abnormal heavy traffic on municipal owned roads, which shortens the lifespan of infrastructure and development of many potholes, especially in Carolina.

Recommendations

To have all the required machinery plant for effective maintenance of road infrastructure; well capacitated teams who would be able to maintain paved and unpaved roads in an acceptable custom, and also be able to design and construct minor projects that are not prioritised as capital projects on the IDP.

T 3.7.1

Gravel Road Infrastructure					Kilometers
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained	
2017-18	526	0	2	407	
2018-19	528	0	3.5	235.3	
					T 3.7.2

Tarred Road Infrastructure						Kilometers
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained	
2017-18	125	2	0	0	0.286	
2018-19	128	3.5	0	0	684m2	
						T 3.7.3

Cost of Construction/Maintenance							R' 000
	Gravel			Tar			
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained	
2017-18	0	2000	1117	0	1117	1117	
2018-19							
							T 3.7.4

Employees: Road Services

Chapter 3

Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	26	26	20	6	23
T3.7.7					

Financial Performance 2017-18: Road Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	30 238	4 416	1 943		
Expenditure	8 929				
Total Operational Expenditure	8 929				
Net Operational Expenditure	-21 309				
T 3.7.8					

Capital Expenditure 2018-19: Road Services					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	33 017	35 708	35 708	8	
Construction of Mahoxo Ring Road	5 000	8 697	8 697	26	8 697
Construction of Diepdale Ring Road	8 017	9 807	9 807	22	9 807
Construction of Mayflower Ring Road	5 000	5 363	5 363	7	5 363
Construction of Mooiplaas Ring Road	5 000	3 828	3 828	-23	3 828
Construction of Emanzana Ring Road	5 000	3 887	3 887	-22	3 887
Construction of Nhlazatshe 2&4 Ring Road	5 000	4 126	4 126	-17	4 126
T 3.7.9					

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

The municipality budgeted R 33,017m for roads and storm water during the year under review and adjusted to R 35,708m during adjustment period and the whole allocation was fully spent.

T 3.7.1

Chapter 3

SDBIP No. (i)	Dep No. (ii)	Roads Service Policy Objectives	2018/19		2018/19					
		Outline Service Targets	Target	Actual	Target *Current Year (vi)	*Actual (vii)	Status Achieved Not achieved Not applicable	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		(KPI) (iii)	*Previous Year (iv)	(v)						
KPA: Access to Roads and Transportation System										
83	17.	KMs of gravel road paved	3.5	2,88	3,5	3.91	Not Achieved	The target was not achieved due to recurring breakdown of yellow fleet caused under achievement	Signed job cards	Prioritise the procurement of new yellow fleet. Provision has been made on the budget.
84	19.	Number of foot bridges constructed	5	3	5	2	Not Achieved	The target was not achieved due to the shortage of tipper trucks and TLBs	Not Applicable	Prioritisation procurement of new yellow fleet. Provision has been made on the budget
85	20.	Number of bridges maintained	1	3	1	0	Achieved	The target was not achieved due to the shortage of tipper trucks and TLBs	Signed progress report	Not applicable
86.	21.	Number of speed humps constructed.	4	2	2	16	Not Achieved	The target was not achieved due to the shortage of personnel within the Road Section	Signed Job cards	Filling of vacant positions are being prioritised in 2019/2020 financial year
87	22.	Square metres of road repaired.	800	286,5	800	684	Not Achieved	Abnormal weather condition		More work be attended in winter
		T 3.7.								
		T 3.7.								

Chapter 3

2. 3.9 4. PROJECT MANAGEMENT (PMU)

INTRODUCTION TO PROJECT MANAGEMENT (PMU) The Project Management Unit (PMU) is an institutional arrangement which was put in place to take responsibility for managing all capital projects. The PMU has been responsible for the management of all capital projects in the municipality. Despite this, the PMU was established to ensure that the municipality is able to address all the capital challenges as well as effectively and efficiently manage.

The municipality is responsible for the planning of municipal infrastructure and for utilizing the capital allocations to deliver the infrastructure. The PMU will ensure that the planning of the infrastructure is done efficiently and effectively and that the capital funds are utilized to build the necessary internal capacity in Project Management as well as to deliver the infrastructure.

The overall roles and responsibilities of the unit may be detailed as follows:

- Infrastructure development planning
- Project identification
- Financial planning and management of capital funds
- Project feasibility studies
- Project planning
- Project implementation, including community participation and awareness, construction, capacity building and mentoring support.
- Project management
- Building of capacity in the unit
- Monitoring and evaluation of the capital programme and projects.
- Compilation and submission of reports in the formats prescribed for the capital programme.

The Service Delivery Business Implementation Plan (SDBIP) is an important element in the service delivery process since it translates all the Integrated Development Plan (IDP) objectives into tangible and implementable projects, thereby making service delivery a reality, providing a basis for performance management. Through the SDBIP, the Executive Mayor is able to hold the Municipal Manager, as Head of Administration, accountable and the Municipality is able to account to the communities. It enables the Municipal Manager to hold accountable all the Managers that report to him. The communities, at the same time, are also able to monitor the functioning of the Municipality. The SDBIP must determine the performance agreements which are entered into between the employer and employees.

Our Capital Projects were funded by the following programs:

1. Municipal Infrastructure Grant (MIG)
2. Integrated National Electrification Programme (INEP)
3. Water Services Infrastructure Grant (WSIG)
4. Capital Funds by Gert Sibande District Municipality (GSDM)
5. Nkomati Mine

Chapter 3

6. And the Municipal Own Funds

During the financial year under review, the SDBIP was formulated and approved by the Executive Mayor and it reflected all the required elements, namely, the performance of the institution per department, the targets as per the IDP document as well as the budget for projects for the financial year. We have achieved the following access to basic services:

1. NUMBER OF HOUSEHOLDS BENEFITTING FROM IMPROVED ACCESS TO WATER

WARD	NAME OF THE PROJECT	NUMBER OF HOUSEHOLDS BENEFITTED
12	Replacement of AC pipes at Ekulindeni	720

2. NUMBER OF HOUSEHOLDS BENEFITTING FROM ACCESS TO SANITATION

WARD	NAME OF THE PROJECT	NUMBER OF HOUSEHOLDS BENEFITTED
Various wards	Construction of Conventional toilets	500

3. NUMBER OF HOUSEHOLDS BENEFITTING FROM ACCESS TO ELECTRICITY

WARD	NAME OF THE PROJECT	NUMBER OF HOUSEHOLDS BENEFITTED
21	Carolina Farms	30
15	Upgrade of Silobela Substation (1,5MVA – 3MVA)	3,484

4. NUMBER OF HOUSEHOLDS BENEFITTING FROM ACCESS TO COMMUNITY ASSETS

WARD	NAME OF THE PROJECT	NUMBER OF HOUSEHOLDS BENEFITTED
21	Construction of Silobela stadium phase 2	Stadium not yet usable (6618)

5. KM's OF ROADS CONSTRUCTED.

WARD	NAME OF THE PROJECT	NUMBER OF KM CONSTRUCTED
1	Construction of Diepdale Road	0.92 KM
2	Construction of Mahoxo Road	1.5 KM
15	Construction of Carolina Access Road	1.04 km
19	Construction of Mooiplaas Access Road	0,6Km
4	Construction of Mpuluzi Access Road	0.45Km

6. NUMBER OF JOBS CREATEDs

Chapter 3

APPROVED PROJECT LIST FOR 2018/19 FINANCIAL YEAR

IDP No	PROJECT DESCRIPTION	REGION SEGMENT	MUNICIPAL STANDARD CLASSIFICATION	2018/2019 BUDGET FORECAST	2018/2019 PROPOSED BUDGET FORECAST	2019/2020 BUDGET FORECAST
2017/18_CALLM_TEC_0001_MIG	Replacement of AC Pipelines on the Eerstehoek Water Scheme: Sabatha Section	10,13,14, 16,18,20,24 & 25	Technical Services			
2017/18_CALLM_TEC_0002_MIG	Upgrading of Emanzana water scheme	17 & 23	Technical Services			
2017/18_CALLM_TEC_0003_MIG	Upgrading of Empuluzi Water Scheme.	4,5,7,9 & 11	Technical Services			
2017/18_CALLM_TEC_0004_MIG	Replacement of AC Pipes in Carolina	15, 21 & 22	Technical Services		R 566 2 809	
2017/18_CALLM_TEC_0005_MIG	Replacement of AC Pipes at Ekulindeni Water Scheme	12	Technical Services	R 5 000 000	R 5 000 000	R 10 000 000
2017/18_CALLM_TEC_0006_MIG	Replacement of AC Pipes at Empuluzi Water Scheme	4,5,7,9 & 11	Technical Services			
2017/18_CALLM_TEC_0007_WSIG	Refurbishment of Empuluzi Water Scheme	4,5,7,9 & 11	Technical Services			
2017/18_CALLM_TEC_0008_WSIG	Rehabilitation of Water Reticulation of Lusushwane Water Scheme	6	Technical Services			
2017/18_CALLM_TEC_0009_WSIG	Refurbishment of Methula Water Scheme	1,2&3	Technical Services			R 25 000 000
2017/18_CALLM_TEC_0010_WSIG	Refurbishment of Eerstehoek Water Scheme.	10,13,14, 16,18,20,24 & 25	Technical Services	R 34 674 000	R 34 674 000	
2017/18_CALLM_TEC_0011_MIG	Upgrading of Empuluzi Waste Water Treatment Works (WWTW)	4,5,7,9 & 11	Technical Services	R 10 000 000	R 6 000 000	
2017/18_CALLM_TEC_0012_MIG	Upgrading of Carolina Waste Water Treatment Works (WWTW)	15, 21 & 22	Technical Services			
2017/18_CALLM_TEC_0013_MIG	Upgrading of Ekulindeni Waste Water Treatment Works (WWTW)	12	Technical Services			
2017/18_CALLM_TEC_0014_MIG	Upgrading of Elukwatini Waste Water Treatment Works (WWTW)	10,13,14, 16,18,20,24 & 25	Technical Services	R 10 000 000	R 6 190 434	R 10 000 000
2017/18_CALLM_TEC_0015_MIG	Installation of Smartsan or Environsan Toilets	3, 5, 8, 11 & 12	Technical Services	R 7 000 000	R 7 000 000	R 10 000 000
2017/18_CALLM_TEC_0016_MIG	Construction of Diepdale Ring Road	1	Technical Services	R 8 016 950	R 9 807 005	
2017/18_CALLM_TEC_0017_MIG	Construction of Ekulindeni Ring Road	12	Technical Services			

Chapter 3

IDP No	PROJECT DESCRIPTION	REGION SEGMENT	MUNICIPAL STANDARD CLASIFFICATION	2018/2019 BUDGET FORECAST	2018/2019 PROPOSED BUDGET FORECAST	2019/2020 BUDGET FORECAST
2017/18_CALLM_TEC_0018_MIG	Construction of Mayflower Ring Road	4 & 9	Technical Services	R 5 000 000	R 5 363 476	
2017/18_CALLM_TEC_0019_MIG	Construction of Mahoxo Ring Road	2	Technical Services	R 5 000 000	R 6 387 114	R 5 000 000
2017/18_CALLM_TEC_0020_MIG	Construction of Mooiplaas Ring Road	19	Technical Services	R 5 000 000	R 5 000 000	R 10 000 000
2017/18_CALLM_TEC_0021_MIG	Construction of Paving Road - Tjakastad	13/18	Technical Services	R -	R -	R 5 000 000
2017/18_CALLM_TEC_0022_MIG	Construction of Paving Road in Carolina Town	15	Technical Services	R -	R -	
2017/18_CALLM_TEC_0023_MIG	Construction of Paving Road in Emanzana	17 & 23	Technical Services	R 5 000 000	R 6 200 640	R 5 000 000
2017/18_CALLM_TEC_0024_MIG	Construction of Paving Road in Nhlazatshe 2 & 4	20 & 25	Technical Services	R 5 000 000	R 5 000 000	
2017/18_CALLM_TEC_0025_MIG	Construction of Footbridges	03; 05; 07; 09; 12; 14; 16; 20; 22 & 25	Technical Services	R 2 000 000	R -	
2017/18_CALLM_TEC_0026_MIG	Construction of High mast lights	All Wards	Technical Services	R -	R -	R 5 000 000
2017/18_CALLM_TEC_0027_INEP	Upgrading of Silobela Substation	15,21&22	Technical Services	R 8 334 000	R 8 334 000	R 19 200 000
2017/18_CALLM_TEC_0028_INEP	Upgrading of Emanzana Substation	17&23	Technical Services	R -	R -	
2017/18_CALLM_TEC_0029_INEP	Construction of Piet Debruin Park: Switching Station	21	Technical Services	R -	R -	
2017/18_CALLM_TEC_0030_MIG	Construction of Silobela Sport Fields	15&22	Technical Services	R 3 000 000	R 4 258 715	
2017/18_CALLM_TEC_0031_MIG	Construction of Elukwatini Fire Station & Elukwatini Management Centre	10,13,14, 16,18,20,24 & 25	Technical Services	R 11 000 000	R 12 000 000	
2017/18_CALLM_TEC_0032_MIG	Construction of Dundonald Taxi rank	4,5,7,9 & 11	Technical Services	R -	R -	R 2 718 400
2017/18_CALLM_TEC_0033_MIG	Construction of Emanzana Transfer Station	17&23	Technical Services	R -	R -	R 5 000 000
2017/18_CALLM_TEC_0034_MIG	Construction of Ekulindeni Transfer Station	12	Technical Services	R -	R -	R 5 000 000
2017/18_CALLM_TEC_0035_MIG	Construction of Empuluzi Transfer Station	4,5,7,9 & 11	Technical Services	R -	R -	R 5 000 000
2017/18_CALLM_TEC_0036_MIG	Construction of Steynsdorp Community Hall	19	Technical Services	R -	R -	R 5 000 000
2017/18_CALLM_TEC_0037_MIG	Construction of Fernie Community Hall	1,2 & 3	Technical Services	R -	R -	

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IDP No	PROJECT DESCRIPTION	REGION SEGMENT	MUNICIPAL STANDARD CLASSIFICATION	2018/2019 BUDGET FORECAST	2018/2019 PROPOSED BUDGET FORECAST	2019/2020 BUDGET FORECAST
2017/18_CALLM_TEC_0038_MIG	Construction of Tjakastad Community Hall	13&18	Technical Services	R -	R -	
2017/18_CALLM_TEC_0039_MIG	Construction of Silobela Community Hall	15	Technical Services	R -	R -	
2017/18_CALLM_TEC_0040_MIG	Construction of Carolina Taxi rank	15	Technical Services	R -	R -	
2017/18_CALLM_TEC_0041_OTHER	Construction of Council Chamber	22	Technical Services	R -	R -	
Total Budget				R 124 024 950	R 124 024 950	R 126 918 400

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COMMENT ON THE PERFORMANCE OF STORMWATER PROJECT MANAGEMENT UNIT

OVERALL:

T 3.9.1

The Service Delivery Business Implementation Plan (SDBIP) is an important element in the service delivery process since it translates all the Integrated Development Plan (IDP) objectives into tangible and implementable projects, thereby making service delivery a reality, providing a basis for performance management. Through the SDBIP, the Executive Mayor is able to hold the Municipal Manager, as Head of Administration, accountable and the Municipality is able to account to the communities. It enables the Municipal Manager to hold accountable all the Managers that report to him. The communities, at the same time, are also able to monitor the functioning of the Municipality. The SDBIP must determine the performance agreements which are entered into between the employer and employees.

Our Capital Projects were funded by the following programs:

7. Municipal Infrastructure Grant (MIG)
8. Integrated National Electrification Programme (INEP)
9. Water Services Infrastructure Grant (WSIG)
10. Capital Funds by Gert Sibande District Municipality (GSDM)
11. Nkomati Mine
12. And the Municipal Own Funds

During the financial year under review, the SDBIP was formulated and approved by the Executive Mayor and it reflected all the required elements, namely, the performance of the institution per department, the targets as per the IDP document as well as the budget for projects for the financial year. We have achieved the following access to basic services:

7. NUMBER OF HOUSEHOLDS BENEFITTING FROM IMPROVED ACCESS TO WATER

WARD	NAME OF THE PROJECT	NUMBER OF HOUSEHOLDS BENEFITTED
12	Replacement of AC pipes at Ekulindeni	720

8. NUMBER OF HOUSEHOLDS BENEFITTING FROM ACCESS TO SANITATION

WARD	NAME OF THE PROJECT	NUMBER OF HOUSEHOLDS BENEFITTED
Various wards	Construction of Conventional toilets	500

9. NUMBER OF HOUSEHOLDS BENEFITTING FROM ACCESS TO ELECTRICITY

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WARD	NAME OF THE PROJECT	NUMBER OF HOUSEHOLDS BENEFITTED
21	Carolina Farms	30
15	Upgrade of Silobela Substation (1,5MVA – 3MVA)	3,484

10. NUMBER OF HOUSEHOLDS BENEFITTING FROM ACCESS TO COMMUNITY ASSETS

WARD	NAME OF THE PROJECT	NUMBER OF HOUSEHOLDS BENEFITTED
21	Construction of Silobela stadium phase 2	Stadium not yet usable (6618)

11. KM's OF ROADS CONSTRUCTED.

WARD	NAME OF THE PROJECT	NUMBER OF KM CONSTRUCTED
1	Construction of Diepdale Road	0.92 KM
2	Construction of Mahoxo Road	1.5 KM
15	Construction of Carolina Access Road	1.04 km
19	Construction of Mooiplaas Access Road	0,6Km
4	Construction of Mpuluzi Access Road	0.45Km

12. NUMBER OF JOBS CREATEDs

[illegible]

Chapter 3

1.	Provision of security services within the Municipality	Ongoing		100	30	22	24	33			109	180
	TOTAL										109	
	Environmental sector											
1.	Parks and beautification	Completed	R1 000 000	50	15	15	11	15			56	
	Infrastructure sector											
1	Construction of paved road at Empuluzi	Completed	R 7 000 000	7			4	3			10	120
2	Construction of Carolina paved road	Completed		12	3	3	4	2			12	120
3	Replacement of AC pipes at Elukwatin i	Completed		10	2	3	3	2			10	100
4	Construction of Elukwatin i fire station	Implementation	R 5 500 000	18	5	2	7	4			18	130
5	Construction of Silobela sportfield	Completed	R 3 000 000	15	4	0	5	4			13	150
6	Construction of Fernie paved road	Completed	R10 000 000	30	15	10	17	16			58	130
7	Replacement of AC pipes in Ekulindeni	Implementation	R 5 000 000	15	7	2	8	8			25	130
8	Collector road at Diepdale	Implementation	R 8 016 950	0	2	2	3	2			9	130
9	Collector road at Manzana	Implementation	R 5 000 000	0	2	1	2	2			7	130
10	Maintenance of bulk electrical infrastructure in CALM	implementation					2	2			4	
11	Provision of VIP toilets in Calm	Implementation	R 7 000 000		20	20	10	15			65	140

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12	Construct ion of foot bridge	Completed	R 910 000		12	7	9	11			39	130
WSIG												
13	Supply, delivery installatio n and maintena nce of water pumps and motors for water services	Implement ation	R 1 448 350		4	5	2	1			12	
	TOTAL										282	
	TOTAL NUMBE R OF JOBS CREATE D	CALLM									351 3	

T 3.9.1

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restat ed)	Actual performance (restated)	Target	Actual performance				
1.	Number of electricity substations upgraded	1	0	1	1	Achieved	Not Applicable	Service Providers report	Not Applicable
2.	KMs of water pipelines replaced.	5	12,8	5	13.12	Achieved	The water project which was not completed on the previous year were completed in 2018/19 Financial year resulting in the over achievement of the target.	Completion certificates	Planned programme should be completed on the planned financial year.
KPA: ACCESS TO ROADS AND TRANSPORTATION SYSTEM									
3.	KMs of gravel road paved	3.5	2,88	3,5	3.91	Achieved	The project which was not completed on the	Completion certificates	Planned programme should be completed on the planned financial year.

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
							previous year were completed in 2018/19 Financial year resulting in the over achievement of the target.		
4.	Number of foot bridges constructed	5	3	5	1	Not Achieved	Shortage of tipper trucks and TLBs are the reasons for the under achievement	Signed progress reports	Prioritisation procurement of new yellow fleet. Provision has been made on the budget.
5.	Number of speed humps constructed.	4	2	2	4	Achieved	The target was over achieved due to assistance obtained from the Department of Public Works, Roads and Transport (DPWRT)	Signed progress report	Not applicable

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restat ed)	Actual performance (restated)	Target	Actual performance				
6.	Number of community halls refurbished	1	1	1	4	Achieved	Not applicable	Completion certificates	Reason to be obtained from Corporate Services
7.	Number of sport facilities upgraded.	N/A	N/A	1	1	Achieved	Not applicable	Completion certificates	Not applicable

Chapter 3

Employees: PMU Services					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	9	11	9	2	18
T3.7.7					

Financial Performance 2017-18: Road Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	4,264	4,264	4,264	4,264	-
Expenditure	4,264	4,264	4,264	4,264	-
Total Operational Expenditure	4,264	4,264	4,264	4,264	-
Net Operational Expenditure	-	-	-	-	-
T 3.7.8					

Capital Expenditure 2018-19: : PMU Services					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	23,017	29,751	29,751	6,734	
Construction of Diepdale Ring Road	8,017	9,807	9,807	1,790	9,807
Construction of Mahoxo Ring Road	5,000	9 807	9 807	4,807	9 807
Construction of Carolina Access Road	0	0	0	0	0
Construction of Empuluzi Ring Road	5,000	5,363	5,363	363	5,363
Replacement of AC Pipes at Ekulindeni	5,000	5,884	5,884	884	5,884
T 3.7.9					

Chapter 3

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

INTRODUCTION TO PLANNING AND DEVELOPMENT

The municipality has the following key performance areas within its Planning and Economic Development Department: Social Development, Economic Development, Job Opportunities, Employment Equity, Disaster Management, Healthy and Safer Environment, Crime Management and Safer Roads.

T 3.10

3.10 PLANNING

INTRODUCTION TO PLANNING

The Town Planning Department is responsible for land use planning, development management and building control of the Municipality. The Department ensures that land use or development is accordance with spatial development of the Municipality, ensuring that land schemes and spatial development frameworks are adhered to when considering developments within the municipal area.

The overall roles and responsibilities of the Unit may be detailed as follows:

Spatial development planning, Project identification, Project implementation, including community participation and awareness, land use management, development control, assessing and approving building plans, enforcing land use management by-law, Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013) and the National Building Regulations and Building Standards Act, 1977 (Act 103 of 1977).

T 3.10.1

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Planning application received	0	0	0	1	0	17
Determination made in year of receipt	0	0	0	0	0	2
Determination made in following year	0	0	0	0	0	5
Applications withdrawn	0	0	0	0	0	0
Applications outstanding at year end	0	0	0	0	0	12
						<i>T 3.10.2</i>

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3.10 PLANNING

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Planning application received	0	2	0	1	0	21
Determination made in year of receipt	0	0	0	0	0	0
Determination made in following year	0	0	0	1	0	21
		0				
Applications withdrawn	0	0	0	0	0	0
Applications outstanding at year end	0	0	0	1	0	21
						T 3.10.2

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IDP/ SDBIP No. (i)	Dep No. (ii)	Planning Policy Objectives Taken from IDP	2018/19				2018/19			
		Outline Service Targets	Target	Actual	Target *Current Year (vi)	*Actual (vii)	Status Achieved/ Not achieved Not applicable	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		(KPI) (iii)	*Previous Year (iv)	(v)						
KPA: Access to Roads and Transportation System										
96	1.	Number of informal settlement upgraded.	2	0	2	2	Achieved	Not applicable	Proclamation from human settlement	Not applicable
97	2.	Number of township establishment	1	0	1	0	Not achieved	The target was not achieved due to the delays by the service provider in processing the application. The process is still at Tribunal.	Progress reports	Meetings will be held on a monthly basis to monitor progress of the service provider.
98	3	Number of areas Formalised Empuluzi C Ext. 2)			2 Formalised areas	0	Not Achieved	The municipality undertook state land release for the transfer of land to the municipality. The process was not concluded within the financial year		The municipality is awaiting approval from DRDLR.
T 3.10.3										

Chapter 3

Employees: Planning Services					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	5	8	5	3	37.5
T 3.10.4					

Financial Performance 2018-19: Planning Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	243	1579500	N/A	1579500	N/A
Expenditure	9 210	859 447	N/A	859 447	N/A
Total Operational Expenditure	9 210	859 447	N/A	859 447	N/A
Net Operational Expenditure	8 967	859 447	N/A	859 447	N/A
T 3.10.5					

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

The municipality did not get any township established during the year under review due to time delay in the land use application process and the release of land by state institutions (DRDLR and Transent).

T 3.10.7

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

The Municipality offers tourists a wide range of tourism activities that are available within the Municipal area and its immediate areas. Tourism and agricultural opportunities are still underdeveloped and have a huge potential to contribute to the economic development of the Municipality. Chief Albert Luthuli Local Tourism Organization (CALLTO) was launched in 2018. The CALLTO is a collection of tourism associations from Carolina, Emanzana, Elukwatini, eMpuluzi, and Ekulindeni, among others, intended to help market Chief Albert Luthuli Municipality (CALM). The CALLTO under the guidance of a Chairperson and a small team of volunteer tourism product owners from the Municipality, will promote tourism excellence and be actively involved in visitor destination marketing. Emanzana in CALM is major tourist hub when it comes to tourism, its where most of the tourism things are located, there is cradle of life, there is forever resort the hot mineral springs will accommodate your needs in entertainment and

Chapter 3

leisure. Whether relaxing around one of the 10 swimming pools, attempting adventure activity or a day at the health spa, they have it all. Choose from organized game drivers.

Barberton Makhonjwa Mountain has been recently be declared as World Heritage site. The benefits accruing from its proceed must be enjoyed by people of CALM and surrounding areas. Songimvelo is another tourist attraction which draws a number of tourists into the reserve especial during the December season. There is also Nooitgedacht Dam in Carolina known as the grass and wetland which supports a host of birds. This lovely area provides ample opportunities for swimming, picnicking, hiking and boarding. Ebutsini a True African Experience accommodate Braai facilities, Patrons are treated to a cultural dance, Guide to Swazi culture, Accommodation, 4x4 Hiking trail.

Tourism is one of the sectors which has been identified in the Municipality's recently approved five year LED strategy, as a potential for growing of the local economy. Badplaas forever resort and Indalo Hotel for example is one of the biggest tourist area in our space which continue to draw the big number of tourist.

T 3.11.1

Economic Activity by Sector		Sector (StatSA community survey, 2016)	R '000
Sector	2017-18		2018-19
Agric, forestry and fishing	1,5	Agriculture	16.1%
Mining and quarrying	2	Mining	7.7%
Manufacturing	63	Manufacturing	1.6%
Wholesale and retail trade	52	Transport	10.3%
Finance, property, etc.	52	Trade	9.2%
Govt, community and social services	25	Construction	9.1.%
Infrastructure services	41	Finance	7.3%
		Community services	16.0%
		Utilities	8.5%
Total	236,5		61,3

T 3.11.2

Economic Employment by Sector		Sector (StatSA community survey, 2016)	Jobs
Sector	2017-18 No.		2018-19 No.
Agric, forestry and fishing	30 000	Agriculture	8.6%
Mining and quarrying	372 000	Mining	7.0%
Manufacturing	270 000	Manufacturing	12.2%
Wholesale and retail trade	210 000	Transport	5.1%
Finance, property, etc.	235 000	Trade	22.8%

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Govt, community and social services	320 000	Construction	9.2
Infrastructure services	450 000	Finance	9.0
		Community services	16.0
		Utilities	3.7%
		Mining	24.4%
Total	1887000		
T 3.11.3			

COMMENT ON LOCAL JOB OPPORTUNITIES:

The municipality created 270 jobs through Expanded Public Works Programme (EPWP), 38 jobs through Small Medium Enterprises (SMMEs). This therefore represents a total of 308 job opportunities created during the year under review.

T 3.11.4

Jobs Created during 2018-19 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Total (all initiatives)				
2017-18	31	0	0	Employee list from SMMEs and Co-Ops
2018-19	38	0	0	Employee list from SMMEs and Co-Ops
T 3.11.5				

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
2017-18	66	3 773
2018-19	1	270
* - Extended Public Works Programme	T 3.11.6	

Chapter 3

IDP/SDBIP No. (i)	Dep No. (ii)	Local Economic Development Policy	2018/19		2018/19					
		Outline Service Targets	Target	Actual	Target *Current Year (vi)	*Actual (vii)	Status Achieved/ Not achieved Not applicable	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		(KPI) (iii)	*Previous Year (iv)	(v)						
KPA: Economic Development										
92	1.	Number of Co-ops and SMMEs offered support.	8	125	4	38	Achieved	The target was over achieved due to support from Department of Agriculture and various other departments within the province	Register of Co-ops and SMMEs offered support	The target for 2019-2010 financial year will be reviewed as part of the mid-term assessment.
KPA: Job Opportunities										
101	4.	Number of jobs created through EPWP programme	200	3 773	200	270	Achieved	The target was over achieved due to new additional project added on the EPWP programme	Report on EPWP employees	The target for 2019-2020 financial year will be reviewed as part of the mid-term assessment
T 3.11.7										

Chapter 3

Employees: Local Economic Development Services					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	3	7	4	3	43
T 3.11.8					

Financial Performance 2017-18: Local Economic Development Services					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	243	789 750	n/a	789 750	n/a
Expenditure	9 210	194 940	n/a	194 940	n/a
Total Operational Expenditure	9 210	194 940	n/a	194 940	n/a
Net Operational Expenditure	8 967	194 940	n/a	194 940	n/a
T 3.11.9					

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

This department's core objective included the provision of waste management and cleaning services; horticulture and maintenance of parks; cemetery services; library services; development of sport, arts, culture, and recreational facilities; empowerment of youth, women, and people with disability; HIV/AIDS; environmental health, and the general community development activities.

T 3.52

3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

INTRODUCTION TO LIBRARIES & COMMUNITY FACILITIES

The Department was responsible for the provision of library services to the community.

T3.12.1

Chapter 3

SERVICE STATISTICS FOR LIBRARIES & COMMUNITY FACILITIES

This service was achieved through 6 operational libraries stationed at Emanzana (Badplaas), Carolina, Ekulindeni, Elukwatini, Empuluzi and Silobela. Those libraries were open from Monday to Friday from 08:00 to 16:00, and had books for most tastes and ages. The libraries were all connected to the internet.

Whilst the majority of schools were rural, the Department was also responsible for the promotion of the few libraries that were available near those schools. The section had to promote a culture of reading around those communities where libraries were situated, so that there was a good use of the few existing libraries. A number of campaigns were therefore conducted.

The Municipality was fortunate this financial year to receive a boost in terms of library service availability, where the Department of Sports, Arts and Culture had renovated the buildings for libraries at Empuluzi-Khululwazi, Carolina- Ezenzeleni and Ekulindeni

The Elukwatini library has been equipped with braille and other equipment to assist the blinds in accessing the service.

T 3.12.2

Employees: Libraries & Community Facilities; Other					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	6	6	6	0	100%

T 3.12.4

Financial Performance 2018-19: Libraries & Community Facilities

R'000

Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	95	32	32	20	12
Expenditure:	14 466	814	814	410	404
Total Operational Expenditure	14 466	814	814	410	404
Net Operational Expenditure	14 371	16280	12340	8794	3546

T 3.12.5

Chapter 3

Capital Expenditure 2018-19: Libraries & Community Facilities					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	11 000	17 532	17 532	59%	
Construction of Elukwatini Fire Station & Disaster Management Centre	11 000	17 532	17 532	59%	17 532
T 3.12.6					

COMMENT ON THE PERFORMANCE OF LIBRARIES COMMUNITY FACILITIES OVERALL:

The enhancement with equipment and renovations that has been completed which will ensure that communities are accommodated in conducive learning environment

T 3.12.7

3.13 CEMETORIES

INTRODUCTION TO CEMETORIES

Background

The Department was responsible for the provision of graves for burials to the communities in 6 municipal cemeteries. The Department also did maintenance of these cemeteries.

Fencing, toilets, and availability of water were some of the challenges that were faced in relation to cemeteries. Where those had been installed, it was vandalised and stolen in no time. There was also a challenge with the maintenance of the cemeteries in tribal authorities.

However, graves were availed in all Municipal cemeteries to needy community members to bury their loved ones.

The provision of graves in the Municipality was limited to the proclaimed towns that are Carolina, Emanzana (Badplaas), Elukwatini and Mayflower,

All the legal procedures in terms of environmental assessments were done, and the land was approved for cemetery use. Along the way, some challenges emerged, where some community members claimed the land as theirs. The Municipality hoped that the matter would be resolved amicably, and the people of Mayflower would be able to bury their loved ones in a respectful place.

The municipality has been able to provide palisade fencing to Elukwatini, Silobela and Mayflower cemeteries.

Challenges

The Municipality had more than 21 settlements, but it could provide graves to only the above-mentioned; the other big settlements in all the 25 Wards of the Municipality were not catered for, and that would have serious consequences in the future in terms of environmental impact.

The following conditions were stipulated by the regulations and may not be followed in the more 80% of those areas that were within the jurisdiction of the Municipality, which may pose a challenge in the future.

Burial sites and burials

Chapter 3

- (1) No land or site shall be identified and used for the purpose of a burial site, unless environmental authorisation has been granted in terms of the National Environmental Management Act, 1998 (Act 107 of 1998) (NEMA), and Environmental Impact Assessment Regulations, R.543 of 18 June 2010, as amended (EIA Regulations). In the case of private burial sites, a land survey has been conducted by a local government and necessary approval granted, such approval must be in writing and should contain such conditions for use as the availability of waste management and ablution facilities, which shall include access to potable water, and sanitation facilities.
- (2) All burial sites must comply with the following environmental requirements-
- (a) be located outside the 100 year floodplain;
 - (b) be located at least 350m from ground water sources used for drinking purposes and at least 500m from the nearest habitable building;
 - (c) for a preferred burial site with a soil of sand-clay mix of low porosity and a small and fine-grain texture, the water table should be at least 2.5m deep in order to allow for traditional grave depth of six feet (1.8m);
 - (d) for areas with higher water tables, the local government may determine a reasonable depth with additional walling recommendations to protect underground water; and
 - (e) the covering soil shall not be less than 1m, should two bodies be buried in the same grave, 300mm of soil shall be maintained between the coffins

T 3.13.1

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restat ed)	Actual performance (restated)	Target	Actual performance				
STRATEGIC OBJECTIVE 1: TO ENSURE GOOD LEADERSHIP AND GOVERNANCE									
KPA: POLICIES AND PROCEDURES									
98	Number of cemeteries maintained.	6	6	6	6	Achieved	Not Applicable	Weekly plans and trip authorities	Not Applicable
101	Number of community halls maintained.	3	2	3	14	Achieved	Not applicable	Register of halls maintained	Reason to be obtained from Corporate Services
102	Number of community halls refurbished	1	1	1	4	Achieved	Not applicable	Completion certificates	Reason to be obtained from Corporate Services
103	Number of sport facilities upgraded.	N/A	N/A	1	1	Achieved	Not applicable	Completion certificates	Not applicable
104									

Chapter 3

Employees: cemeteries					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	6	20	20	3	15
					T 3.13.4

Financial Performance 2018-19: cemeteries					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	149	103	106	9085	8979
Expenditure:	1 848	11836	11836	54249	42413
Total Operational Expenditure	1 848	11836	11836	54249	42413
Net Operational Expenditure	1 699	-11730	-11730	-45167	33437
					T 3.13.5

Capital Expenditure 2018-19: cemeteries					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	

COMMENT ON THE PERFORMANCE OF CEMETORIES S OVERALL:

There were no cemeteries established during the year under review due to budget constraints. All 6 cemeteries were maintained throughout the year

T 3.13

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restat ed)	Actual performance (restated)	Target	Actual performance				
STRATEGIC OBJECTIVE 1: TO ENSURE GOOD LEADERSHIP AND GOVERNANCE									
KPA: POLICIES AND PROCEDURES									
108	Number of monthly Occupational Health and Safety (OHS) reports submitted to MM's office	82%	12	12	12	Achieved	Not Applicable	Signed OHS reports	Not Applicable
109	Number of HIV and AIDS campaigns conducted	4	3	4	4	Achieved	Not Applicable	Attendance registers	Not Applicable
110	Number of male condoms distributed.	71 500	1 225 269	71 500	448 410	Achieved	Not Applicable	Distribution list	Reason for over achievement to be provided by Corporate Services

Chapter 3

COMPONENT G: SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

INTRODUCTION TO SECURITY & SAFETY

The municipality have community and safety as well as environmental protection departments all residing under Community Services cluster.

T 3.20

3.20 POLICE

INTRODUCTION TO POLICE

The main function of this Section was to ensure safety for all road users through traffic control; and dealt with various patrol- and court duties, and traffic law enforcement. The Traffic Law Administration Sub-Section rendered administrative support to traffic control by collecting traffic fines, and administering the execution of warrants and traffic summonses.

T 3.20.1

Traffic Data				
	Details	2017-18	2018-19	
		Actual No.	Estimate No.	.Actual No
1	Number of road traffic accidents during the year	227	240	240
2	Number of by-law infringements attended	0	12	12
3	Number of police officers in the field on an average day	12	10	10
4	Number of police officers on duty on an average day	6	6	6
<i>T 3.20.2</i>				

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restat ed)	Actual performance (restated)	Target	Actual performance				
KPA: SAFER ROADS									
111	Number of traffic law enforcement programmes implemented	5	4	5	6	Achieved	Not Applicable	Register of programmes	Reason for over achievement to be provided by Mr Shabangu
112	% increase in traffic fines issued	5%	25%	5%	23.6%	Achieved	Not Applicable	Register of fines issued	Reason for over achievement to be provided by Mr Shabangu

Chapter 3

Employees: Police Officers					
Job Level	2017-18	2018-19			
Police	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
Total	34	12	12	1	6
T 3.20.4					

Financial Performance 2018-19: Police					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1 312				
Expenditure:					
Expenditure:	7 514				
Total Operational Expenditure	7 514				
Net Operational Expenditure	6 202				
T 3.20.5					

Capital Expenditure 2018-19: Police					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
T 3.20.6					

COMMENT ON THE PERFORMANCE OF POLICE OVERALL:
There were no capital project budgeted for traffic services during the year under review.
T 3.20.7

3.21 FIRE

INTRODUCTION TO FIRE SERVICES

Chapter 3

The Municipality has one fully-fledged fire station in Carolina, and a satellite fire station in Elukwatini; as well as an operational fire engine and three rescue vehicles. This shortage of fire-fighting equipment creates the challenge of late response to fire calls, and in the current situation the section can only handle two incidents at a time due to insufficient equipment. The municipality has since entered into agreement with a neighbouring municipality to assist during serious fires.

The main function of this section includes, but is not limited to:

Attending to emergency calls

Extinguishing fires

Extricating trapped victims from vehicles

Rendering rescue operations

Conducting fire prevention inspections, risk assessment, and building plan assessment

Cleaning spillages at accidents scene

Stabilising incident scenes

T 3.21.1

Municipal Fire Service Data				
	Details	2017-18	2018-19	
		Actual No.	Estimate No.	Actual No.
1	Total fires attended in the year	367	234	234
2	Total of other incidents attended in the year	-	-	-
3	Average turnout time - urban areas	15 minutes	15 minutes	15 minutes
4	Average turnout time - rural areas	45 minutes	45 minutes	45 minutes
5	Fire fighters in post at year end	12	12	12
6	Total fire appliances at year end	5	5	4
7	Average number of appliance off the road during the year	8	1	1

T 3.21.2

Employees: Fire Services					
Job Level	2017-18	2018-19			
Police	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Administrators					
Total	34				

T 3.20.4

Financial Performance 2018-19: Fire Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	20				

Chapter 3

Expenditure:	6 862				
Total Operational Expenditure	6 862				
Net Operational Expenditure	6 842				
<i>T3.21.5</i>					

Capital Expenditure 2018-19: Fire Services					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	5000	4000	4000	-25%	
Construction of Elukwatini Fire Station	5000	4000	4000	-25%	4000
<i>T 3.21.6</i>					

COMMENT ON THE PERFORMANCE OF FIRE SERVICES OVERALL:

Fire services completed one capital project relating to the construction of fire station during the year under review.

T 3.21.7

3.22 OTHER (DISASTER MANAGEMENT,)

INTRODUCTION TO DISASTER MANAGEMENT

In terms of the Disaster Act, 2000 (Act No 52 of 2000), the disaster function is aimed to save lives and educate the community in terms of risks and hazards. The function is still divided between the district municipality and local municipality. The district municipality built a new disaster centre, however, the ownership is still with the district municipality, which makes access by the Municipality difficult. The efficient function of the centre is also at hold because it sits between the two location areas.

The main function of this section is to assist in terms of:

Disaster planning

Risk assessment

Awareness programs

Consultation with stakeholders

Application of the Disaster Framework

Mitigation Process

Disaster Management is aimed at effective and economical utilisation of all material and personnel for the greatest benefit and protection of citizens and their property during major incidents. Currently the municipality finances the mitigation process from its own budget, however, District and Province also assist when there is a need. The municipality is using the Short Message System (SMS) as early warning system, but this creates challenges.

T 3.22.1

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restat ed)	Actual performance (restated)	Target	Actual performance				
KPA: DISASTER MANAGEMENT									
106	% of disaster incidents reported and attended within 24 hours	82%	100%	82%	82%	Achieved	Not Applicable	Callout notices	Not Applicable
107	Number of disaster management awareness campaigns conducted	4	4	4	4	Achieved	Not Applicable	Attendance registers	Not Applicable

Chapter 3

Employees: Disaster Management					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	33				
T 3.22.4					

Financial Performance 2017-18: Disaster Management					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	20				
Expenditure:	6 862				
Total Operational Expenditure	6 862				
Net Operational Expenditure	6 842				
T 3.22.5					

Capital Expenditure 2018-19: Disaster Management					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
T 3.22.6					

Chapter 3

COMPONENT H: SPORT AND RECREATION

T 3.22.7

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

INTRODUCTION TO SPORT AND RECREATION

The Department was also responsible for sport, recreation, art, and culture in the Municipality.

The strategic objectives included the promotion of sport and culture development in communities, coordination of sport and cultural events, mobilisation of and canvassing support for sport and culture from the private sector, and the provision and maintenance of sport facilities.

Various sport activities were coordinated by the Municipality. Those included Art and Culture Festivals, a regional boxing tournament, Workers' Day and Youth Day Games. Local sport development structures were coordinated and supported.

The provision of sport facilities remained a challenge, mainly due to the fact that there were few sport grounds in the Municipality that were in a good condition.

T 3.23

Chapter 3

.23 SPORT AND RECREATION

Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance	2018/19		2018/19					
		Outline Service Targets	Target	Actual	Target *Current Year (vi)	*Actual (vii)	Status Achieved/Not achieved/Not applicable	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		(KPI) (iii)	*Previous Year (iv)	(v)						
KPA: Healthy and Safer Environment										
57.	1.	Number of Transport forum coordinated	Community And Safety	Operational	4	4	Achieved	N/A	N/A	
58.	2.	Number of sports and cultural events organised	New	New	4	11	Achieved	N/A	N/A	
59.	3	Number of Moral Regeneration Movement programmes implemented	New	New	6	9	Achieved	N/A	N/A	
60	4	Number of library awareness programme implemented	New	New	30	31	Achieved	N/A	N/A	
		T3.23.2								

Chapter 3

Employees: Sport and Recreation					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	1	2	1	1	
					T 3.23.3

Financial Performance 2018-19: Sport and Recreation					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0				
Expenditure:	5341				
Total Operational Expenditure	5341				
Net Operational Expenditure	5341				
					T 3.23.4

Capital Expenditure 2018-19: Sport and Recreation					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
					T 3.23.5

COMMENT ON THE PERFORMANCE OF SPORT AND RECREATION OVERALL:

The department did not have capital projects for sports and recreation during the year under review.

T 3.23.6

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

INTRODUCTION TO CORPORATE POLICY OFFICES

Chapter 3

The Municipality have financial services, human resource service and ICT departments

T 3.24

3.24 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

INTRODUCTION TO EXECUTIVE AND COUNCIL

There was no project undertaken for the council during the year. The council had originally planned for the design and construction and completion of council chamber during 2016-17 financial year. However, the project did not material due financial constraints. The same ambition was carried forward to 2017-18 financial year and the Council made significant progress negotiating for the sourcing of funds, still this did not materialise in 2018/19, however the business of council and the executive were never hindered by the absence of descent place of work or offices, all meetings of the Executive went smoothly and were all convened and became successful. 12 meeting ordinary meeting of the Mayoral committee were held, plus additional special meetings were convened

The six planned meetings of the council were held at different offices unit offices of the municipality, the 2018/19 budget meting wre held at Steyndorp, Ekulindeni Unit, Ka Duma Traditional Authority at Empuluzi Unit were the beneficiaries of council meeting were the council went to the people.

T 3.24.1

Chapter 3

IDP/SDBIP No. (i)	Dep No. (ii)	The Executive and Council Policy Objectives Taken From IDP	2018/19		2018/19					
		Outline Service Targets	Target	Actual	Target	*Actual	Status Achieved/ Not achieved/ Not applicable	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		(KPI) (iii)	*Previous Year (iv)	(v)	*Current Year (vi)	(vii)				
Key Performance Area (KPA): Policies and Procedures										
1.	1.	Number of policies and procedures approved	5	41	5	38	Achieved	The target was over achieved to more policies finalised in the current year.	Council Resolution	This target will be reviewed as part of mid-term assessment for 2019-2020 financial year.
2.	2.	Number of departmental strategies and department plans approved	2	13	2	9	Achieved	The target was over achieved to more plans finalised in the current year.	Council Resolution	This target will be reviewed as part of mid-term assessment for 2019-2020 financial year.
		KPA: GOVERNANCE STRUCTURES								
3.	3.	Number of reviews of the organisational structure conducted.	1	1	1	1	Achieved	Not applicable	Council Resolution	Not applicable

Chapter 3

IDP/SDBIP No. (i)	Dep No. (ii)	The Executive and Council Policy Objectives Taken From IDP	2018/19		2018/19					
		Outline Service Targets	Target	Actual	Target		Status Achieved/ Not achieved/ Not applicable	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		(KPI) (iii)	*Previous Year (iv)	(v)	*Current Year (vi)	*Actual (vii)				
		KPA: GOOD GOVERNANCE AND LEADERSHIP								
4.	4.	% of forum meetings attended as per invitation	100%	90%	100%	100%	Achieved	N/A		N/A
5.	5.	Number of procedures approved		New	100%	3	Achieved	N/A		N/A
6.	6.	Number of departmental strategies and department plans approved	2	13	1 Approved LED Strategy 2018/23	8	Achieved	N/A		N/A
		KPA: Governance Structures								
7.	7.	Number of reviews of the organizational structure conducted	Annual Review of the Structure	Annual Review of the Structure	1	1	Achieved	N/A		N/A
							Not Achieved	Budgetary constraint		Management will ensure that budget provision will be made to resolved
16.	1.	% of internal audit findings resolved within 90 days after internal audit report has been issued	Office of the Municipal Manager	40%	Annual Target 2018-2019	50%	Not Achieved	Budgetary constraint		Management will ensure that budget provision will be made to resolved
17.	2.	% of external audit findings resolved within legislated 60 days (31 January)	Office of the Municipal Manager	70%	Annual Target	50%	Not Achieved	Budgetary constraint		Management will ensure that budget provision will be made to resolved

Chapter 3

IDP/SDBIP No. (i)	Dep No. (ii)	The Executive and Council Policy Objectives Taken From IDP	2018/19		2018/19					
		Outline Service Targets	Target	Actual	Target		Status			
		(KPI) (iii)	*Previous Year (iv)	(v)	*Current Year (vi)	*Actual (vii)	Achieved Not achieved Not applicable	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
18.	3.	Approval of annual report within legislated timeframe	Office of the Municipal Manager	31 January	100%	31 January	Achieved	n/a		
19.	4.	Improved audit opinion	Office of the Municipal M	Unqualified	100%	N/A	N/A	n/a Actual achievement to be captured once audit report is received from the Auditor General		
KPA: Performance Reporting										
20.	6.	Approval of the next year's SDBIP	Performance Management	Approved SDBIP		24/6/209	Achieved			
21.	7.	Date of approval of PMS Framework	Performance Management	30 September	Approved SDBIP	N/A	N/A	Due I First Quarter of 2019/20		
23.	8.	% of senior management performance agreements approved by 31 July	Performance Management	100%	Approved SDBIP	performance agreements approved by 31 July	Achieved	n/a		
24.	9.	% of senior management performance agreements submitted to relevant stakeholders by 14 July	Performance Management	100%	30 September	Not submitted to relevant stakeholders by 14 July	ANOT CHIEVED	Agreements were concluded after the date		Revise the target date
25.	10.	% of annual performance assessment of senior management by 30 July	Performance Management	100%	100%	n/a	ANOT CHIEVED	Tight schedule for panel members		Adjust or revise target
26.	12.	Evaluation of mid-year institutional performance			100%	24Jauary 2018	Achieved			
T3.24.3										

Chapter 3

Employees: The Executive and Council					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	73	86	82	4	4.7%
T 3.24.4					

Financial Performance 2018-19: The Executive and Council					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget %
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Expenditure:	12 217				
Total Operational Expenditure	12 217				
Net Operational Expenditure	12 217				
T 3.24.5					

Capital Expenditure 2018-19: The Executive and Council					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
T 3.24.6					

COMMENT ON THE PERFORMANCE OF THE EXECUTIVE AND COUNCIL:

The only capital project for Council during the year under review was that of construction of council chamber which was not executed due to financial constraint. The Council intends to carry on with the same ambition in the next financial year until the project is fully accomplished.

T 3.24.7

3.25 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

Chapter 3

The Municipality strove to stabilise its finances. The Municipality recorded significant progress towards the goal of financial sustainability by its ability to generate a healthy net surplus, improve cash and cash equivalents as well as its responsiveness to demand for service delivery. The Municipality was committed to sound financial management practices.

The year under review was challenging in terms of revenue collection due to accruals from the previous financial year. The Municipality as at 30 June 2015 had unspent conditional grant that was not cash backed - the amount for the application for rollover that was not cash backed was not approved by National Treasury.

Our customers continued to face economic pressure and as a result, collection levels for consumer debts are still depressed. The Municipality was only able to enforce the Debt Collection and Credit Control Policy in Carolina, Silobela, and Emanzana (Badplaas) Town where all the services were provided. Eskom was engaged to assist the Municipality to enforce the Credit Control and Debt Collection Policy in Empuluzi, Ekulindeni, and Elukwatini. Electricity to all mines around Carolina was supplied by Eskom. Government and businesses were the focus area in terms of payment for municipal services. The average collection rate as at 30 June 2018 was at 65%. Strategies were implemented that targeted businesses within the jurisdiction of The Municipality. A Revenue Indaba was held in May 2018, which came with clear programs in terms of enhancing municipal revenue.

Irregular expenditure was reported promptly to Council, and also referred to the Municipal Public Accounts Committee (MPAC) for further investigation and ultimately to National Treasury.

Structure of the Department

Core Functions

Accounting, Budgeting, Revenue Collection and Debt Management, Financial Management, Treasury Supply Chain Management

T 3.25.1

Details of the types of account raised and recovered	Debt Recovery					
	2017-18		2018-19		2019-20	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	69082	65%				
Electricity	34527	59%				
Water	13116	100%				
Sanitation	6527	100%				
Refuse	8641	100%				
Other service charges	24	100%				

T 3.25.2

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restat ed)	Actual performance (restated)	Target	Actual performance				
KPA: REVENUE MANAGEMENT									
50	% of Service Level Agreements (SLAs) finalised within 30 days of awarding the contract.	100%	100%	100%	100%	Not achieved	Not applicable	Register of service level agreements	Not applicable
51	Number of procurement plans approved by 30 May	1	1	1	1	Achieved	Not Applicable	Council Resolution	Not Applicable
52	Number of updated contract register on a quarterly basis to the MMs office	4	4	4	4	Achieved	Not Applicable	Contract registers	Not Applicable
53	% of bids awarded within 90 days reported to Council	85%	80%	85%	100%	Achieved	Not Applicable	Contract register	Not Applicable
54									
KPA: REVENUE MANAGEMENT									
55	Number of additional grants sourced	2	0	2	0	Not Achieved	Lack of availability of business plans for long term projects	Register of grants sourced	Business plans to be prepared for unfunded projects from the IDP

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance	
		Target (restat ed)	Actual performance (restated)	Target	Actual performance					
56	Number of supplementary valuation rolls approved.	1	1	1	1	Achieved	Not Applicable	Council resolution	Not Applicable	
57	Number of supplementary valuation roll implemented by 1 July	1	1	1	1	Achieved	Not Applicable	Current tariffs form the billing report	Not Applicable	
58	% reduction in billing accuracy complains.	80%	80%	80%	35%	Achieved	Not Applicable	Complains register	Not Applicable	
59	% of billing complains resolved	100%	100%	100%	100%	Achieved	Not Applicable	Complains register	Not Applicable	
60	Revenue collected from investment properties	55 568	454 432	55 568	0	Not achieved	Information not yet received	Information not yet received	Information not yet received	
61	% own revenue collected	65%	62%	60%	56.2%	Not Achieved	Low collection rate due to difficult economic conditions and resistance from customers to pay	Revenue report	Implementation of Revenue enhancement strategy	
KPA: EXPENDITURE MANAGEMENT										
62	% of operational expenditure spent	90%	99%	90%	100%	Achieved	Not Applicable	Expenditure report	Not Applicable	

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance	
		Target (restat ed)	Actual performance (restated)	Target	Actual performance					
63	% of capital expenditure spent	90%	100%	90%	100%	Achieved	Not Applicable	Expenditure report	Not Applicable	
64	Maintenance % of employee costs over revenue	35%	45%	40%	0%	Not achieved	Information not yet received	Information not yet received	Information not yet received	
KPA: FINANCIAL MANAGEMENT										
65	Number of reconciliations prepared	96	72	96	96	Achieved	Not Applicable	Reconciliation files	Not Applicable	
66	Improved current ratio to be within accepted industry norm.	1:1	0,82;1	1:1	0.85:1	Not Achieved	Due to the low collection rate and high number of debtors and slow build-up of the reserves to fund short term liabilities	Ratio computation schedule	Implementation of cost curtailment measures and monitoring of spending within the budgets	
KPA: UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (UIF)										
67	% reduction of unauthorised expenditure	R50m	R0m	5%	100%	Achieved	Not Applicable	Annual Financial Statements	Not Applicable	

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance	
		Target (restat ed)	Actual performance (restated)	Target	Actual performance					
68	% reduction of irregular expenditure incurred during the financial year	R80m	R37m	5%	100%	Achieved	Not Applicable	Annual Financial Statements	Not Applicable	
69	% reduction of fruitless and wasteful expenditure	R12m	R4m	5%	46%	Achieved	Not Applicable	Annual Financial Statements	Not Applicable	
KPA: ASSET MANAGEMENT										
70	Quarterly physical asset verification conducted of movable assets.	4	12	4	4	Achieved	Not Applicable	Council reports	Not Applicable	
71	Re-assessment of useful lives, residual values and impairment test conducted.	1	1	1	1	Achieved	Not Applicable	Asset register	Not Applicable	
KPA: DEBT MANAGEMENT										
72	Reduction in average debtors collection period	90 days	161 days	30 days	435 days	Not Achieved	Due to slow collection of debtors	Debtors age analysis	Implementation of revenue enhancement strategy	
KPA: GOVERNANCE STRUCTURES										
	Number of reviews of the organisational structure conducted.	1	1	1	1	Achieved	Not applicable	Council Resolution	Not applicable	

Chapter 3

Employees: Financial Services					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	51				
T 3.25.4					

Financial Performance 2017-18: Financial Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget%
Total Operational Revenue	499 658				
Expenditure:	45 495				
Total Operational Expenditure	45 495				
Net Operational Expenditure	-454 163				
T 3.25.5					

Capital Expenditure 2017-18: Financial Services					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget %	Total Project Value
Total All	1 100	1 100	1 100	0%	
Implementation of SCOA	1 100	1 100	1 100	0%	1 100
T 3.25.6					

COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL:

Financial Services department did not have capital projects during the year under review.

T 3.25.7

Chapter 3

3.26 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

This section dealt with the general administration of all human resource issues and matters, including administration of human resource, leave and the transaction of all the labour related legislation and laws. It also oversaw the implementation of all the basic conditions of employment and the monitoring of compliance thereof.

This section was also charged with the responsibility of ensuring employee wellness as well as the implementation of employee discipline. Corrective steps were instituted against unacceptable behaviour; and various disciplinary procedures were instituted against a few of the employees who were delinquent.

The number of people from the employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan. The three highest positions were 100% occupied by the previously disadvantaged group. The total number of employees was 482 encompassing 419 of permanent staff, 49 councillors, 6 section 56 & other contracted staff and 8 Interns & other staffs.

Skills Development

This focus area is in response to one of the prescribed key performance indicators in terms of the Municipal Performance Management Regulations of 2001. All municipality are obliged to report on progress in building skills capacity to deliver according to the developmental mandate.

The Municipality had sent officials and councillors to training, 44 learnerships, 50 unemployed learnership ; and 24 bursaries were awarded during the year; 13 Councillors and Officials are attending the Skill Programs and had received the final results; 5 Finance Intern staff members were enrolled with a view to attain the MFMP Training which is in progress. 5 Finance Intern attended

Sd43

A number of municipal staff received training during the year under review as compared to 2014/15 and budget was spent in implementing the Municipality's Skills Development Plan.

T 3.26.1

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved / Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
STRATEGIC OBJECTIVE 3: TO ENSURE TRANSFORMED INSTITUTION WITH COMPETENT AND CAPABLE HUMAN CAPITAL									
KPA: LEARNING AND DEVELOPMENT									
8.	Number of Annual Training Plan (ATP) and Workplace Skills Plan (WSP) submitted to LG SETA by 30 April.	1	1	1	1	Achieved	Not Applicable	Proof of submission	Not Applicable
9.	Number of employees trained as per the WSP.	25	69	25	72	Achieved	The target was over achieved due to an increase in the awarding of bursary to employees	WSP report and list of employees trained	The target for 2019-2020 financial year will be reviewed as part of mid-year assessment.
10.	Number of councillors trained as per the WSP	41	5	41	10	Not Achieved	The target was not achieved as a result of the reduction in the number of councillors	WSP report and list of councillors trained	The target for 2019-2020 financial year will be reviewed as part of mid-

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved / Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
							trained due to the intervention of different stakeholders		year assessment
11.	% of training budget spent.	100%	83%	100%	100%	Not Achieved	Not applicable	Expenditure report	Not applicable
KPA: MANAGEMENT OF VACANCIES									
12.	% of approved and funded positions as per the approved organogram filled during the year	95%	83%	95%	90%	Not Achieved	The target was not achieved due to prolonged Recruitment processes	Long List and copy placed adverts	Acceleration plan to fill funded positions will be put in place
13.	% of staff turnover rate	4.5%	0,21	4.5%	2.1%	Achieved	Not Applicable	Calculation schedule	Not Applicable
14.	% of positions filled with persons with disabilities	1%	0%	1%	0%	Not Achieved	The target was not achieved as there were no applications received on advertised posts	Copy of placed adverts	The municipality will encourage internal staff to declare their disability

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved / Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
									and external potential candidates through adverts
15.	Number of intern positions filled.	5	4	5	4	Not Achieved	The target was not achieved due to the contract of 1 of the interns was extended.	List of appointments	The target for 2019-2020 financial year will be reviewed as part of mid-year assessment.
KPA: LEAVE MANAGEMENT									
16.	Number of monthly leave registers approved	12	6,5	12	12	Achieved	Not Applicable	Departmental leave books	Not Applicable
KPA: AFFIRMATIVE ACTION									
17.	Number of female appointments in Senior Management positions.	1	0	1	0	Not achieved	The target was not achieved due to the lack of applications received from	List of appointments	The department, in line with the directive issued by the Labour

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved / Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
							the female counterparts		Department, will device plan to remedy the situation
18.	Number of female appointments in Middle Management positions	N/A	N/A	1	1	Achieved	Not Applicable	List of appointments	Not Applicable
19.	% of vacant positons.	4.5%	17%	4.5%	10%	Not achieved	The target was not achieved due to budget constraints and reprioritisation of posts to be filled	List of vacancies	Prioritisation of posts to be filled will be put in place in the next financial year.
STRATEGIC OBJECTIVE 4: TO ENSURE FINANCIAL HEALTHIER AND SUSTAINABLE ENVIRONMENT									
KPA: SUPPLY CHAIN MANAGEMENT (SCM)									
20.	% of Service Level Agreements (SLAs) finalised within 30 days of awarding the contract.	100%	100%	100%	100%	Achieved	Not applicable	Register of service level agreements	Not applicable

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved / Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
21.	Number of procurement plans approved by 30 May	1	1	1	1	Achieved	Not Applicable	Council Resolution	Not Applicable
22.	Number of updated contract register on a quarterly basis to the MMs office	4	4	4	4	Achieved	Not Applicable	Contract registers	Not Applicable
KPA: EMPLOYMENT EQUITY									
23.	Number of Employment Equity Plan (EER) and Employment Equity Report (EER) submitted to Labour by 31 January	1	1	1	1	Achieved	Not applicable	Proof of submission	Not applicable
KPA: HEALTHY AND SAFER ENVIRONMENT									
24.	Number of monthly Occupational Health and Safety (OHS) reports submitted to MM's office	82%	12	12	6	Not Achieved	Indicator was not achieved due to capacity constraints	Signed OHS reports	Critical positions will be prioritised during 2019-2020 financial year
25.	Number of HIV and AIDS campaigns conducted	4	3	4	4	Achieved	Not Applicable	Attendance registers	Not Applicable

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved / Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
26.	Number of condoms distributed.	71 500	1 225 269	71 500	15 200	Not Achieved	The target was not achieved due to control weakness in record management on the distributions made	Distribution list	Distribution list will be completed in the next financial year

Chapter 3

Employees: Human Resource Services					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	82	485	439	46	9.48%
T3.26.4					

Financial Performance 2018-19: Human Resource Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget %
Total Operational Revenue	998				
Employees	21 652				
Total Operational Expenditure	21 652				
Net Operational Expenditure	20 654				
T 3.26.5					

Capital Expenditure 2018-19: Human Resource Services					
R' 000					
Capital Projects	2018-19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
T 3.26.6					

Chapter 3

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This Section is responsible for the Information and Communication Technology as well as for IT Governance of the Municipality in order to ensure that the IT wellbeing of the Municipality is secured, and that the integrity of the information was also protected. It ensures effective communication within the organisation and between the organisation and other stakeholders.

T 3.27.1

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved / Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
STRATEGIC OBJECTIVE 2: TO ENSURE EFFICIENT AND EFFECTIVE INFORMATION COMMUNICATION TECHNOLOGY (ICT)									
KPA: DATA INTEGRITY AND SECURITY									
27.	Number of Firewall and anti-virus installations completed.	3	1	1	1	Achieved	Not Applicable	Firewall report	Not Applicable
28.	Number of monthly offsite backup storage conducted.	12	0	12	12	Achieved	Not Applicable	Backup report	Not Applicable
29.	% compliance to Section 75 (MFMA) requirements in terms of the Website updating monthly	100%	100%	100%	100%	Achieved	Not Applicable	Update register	Not Applicable

Chapter 3

Employees: ICT Services					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	82	7	4	3	57.1%
					T3.27.4

Financial Performance 2018-19: ICT Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget %
Total Operational Revenue	0				
Expenditure:	3 648				
Total Operational Expenditure	3 648				
Net Operational Expenditure	3 648				
					T 3.27.5

Capital Expenditure 2018-19: ICT Services					
R' 000					
Capital Projects	2017-18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget %	Total Project Value
Total All					
					T 3.27.6

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL:
ICT did not have capital project during the year under review.
T3.27.7

Chapter 3

3.28 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

This component includes: property; legal; risk management and procurement services.

INTRODUCTION TO PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

In terms of section 62(i)(c) of the MFMA (2003), a municipality must have and maintain an effective, efficient and transparent system of risk management; and the municipal manager is responsible for managing the municipality's financial administration. For this purpose, the municipal manager must take all responsible steps to ensure, amongst others, that the municipality has and maintains effective, efficient, and transparent systems of financial and risk management, and control of internal audit operating in accordance with any prescribed norms and standards.

In order to give effect to the above, the Municipal Manager had established the Risk Management Committee of the Municipality.

Risk management was an important aspect of all our lives. We were exposed to risk both in terms of threats to service provision and from the potential of lost opportunities. It was essential that we could demonstrate to our citizens that we were fully considering the implications of risk, as we delivered our business for the benefit of the residents of our community.

The risk management process is designed to support members and officials in ensuring that the Municipality was able to fully discharge its risk management responsibilities in a consistent manner. The Municipality had a Risk Management Strategy that outlined the objectives, benefits and approach to the process to ensure that risks, both positive and negative, were successfully managed.

Risk management in The Municipality was about improving our ability to deliver outcomes for the community by managing our threats, enhancing our opportunities, and creating an environment that added value to ongoing activities.

Risk management was a key part of corporate governance. Corporate governance was the way an organisation managed its business, determined strategy, and objectives, and went about achieving those objectives. Good risk management would help identify and deal with key corporate risks facing the organisation in the pursuit of its goals and was a key part of good management, not simply a compliance exercise.

T3.28.1

Property, Legal ,Risk Management and Procurement Service

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restat ed)	Actual performance (restated)	Target	Actual performance				
STRATEGIC OBJECTIVE 1: TO ENSURE GOOD LEADERSHIP AND GOVERNANCE									
KPA: POLICIES AND PROCEDURES									
KPA: LEGAL AND COMPLIANCE									
30.	% of disciplinary matters attended within 90 days	90%	100%	90%	100%	Achieved	Not applicable	Register of disciplinary matters	Not applicable
31.	% of grievances attended within 5 days	90%	100%	90%	100%	Achieved	Not applicable	Register of grievances	Not applicable
32.	% of disputes attended within 90 days	90%	100%	90%	100%	Achieved	Not applicable	Register of disputes	Not applicable
	KPA: RISK MANAGEMENT								
30	Number of risk assessment workshops conducted.	2	2	2	2	Achieved	Not applicable	Attendance registers	Not applicable
31	Number of quarterly risk registers approved.	4	4	4	4	Achieved	Not applicable	Committee resolution/ minutes of meetings	Not applicable
	KPA: INTERNAL AUDIT								

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restat ed)	Actual performance (restated)	Target	Actual performance				
32	Number of IA plan approved by 30 June.	1	1	1	1	Achieved	Not Applicable	Committee resolution. Minutes of meetings	Not Applicable
33	% of implemented IA plan.	80%	90%	80%	80%	Achieved	Not Applicable	Internal audit progress reports	Not Applicable

Chapter 3

Employees: Legal and Risk Management Services					
Job Level	2017-18	2018-19			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	51	15	12	3	20%
T 3.28.4					

Financial Performance Year 0: Property; Legal; Risk Management and Procurement Services					
R'000					
Details	2017-18	2018-19			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	499 658				
Expenditure:	45 495				
Total Operational Expenditure	45 495				
Net Operational Expenditure	-454 163				
T 3.28.5					

Capital Expenditure 2017-18: Property; Legal; Risk Management and Procurement Services					
R' 000					
Capital Projects	2017-18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
T 3.28.6					

Chapter 3

COMPONENT J: SUMMARY OF ANNUAL PERFORMANCE REPORT AS SUBMITTED TO AG

INTRODUCTION

ANNUAL PERFORMANCE REPORT OF CHIEF ALBERT LUTHULI MUNICIPALITY FOR THE FINANCIAL REPORTING PERIOD ENDED 30 JUNE 2019

BACKGROUND

Section 46 of the Municipal Systems Act, stipulates that the municipality must prepare for each financial year, a performance report, reflecting the performance of the municipality during that financial year and a comparison of performance against the targets set as well as measures taken to improve performance. The annual performance report reflects the overall performance for 2018-2019 financial year. The performance is based on the revised approved Intergrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for the year under review.

OVERVIEW OF SERVICE DELIVERY ACHIEVEMENTS

The Municipality supplies basic water within the RDP standard to almost 95% of households (39,016 households) despite difficult conditions due to the majority of households being located in rural towns and villages.

The Municipality provides access to electricity to 98% households, and households without electricity are now less than 1,800 according to the SA Statistics 2016 community survey; however, the maintenance of that infrastructure is a challenge due to the high cost of Eskom electricity that municipalities currently struggle to keep up with.

The proportion of households with access to basic sanitation is 91%, which is more than 43,000 households. However, approximately over 10 000 households (5%) are still below the minimum service level. 500 toilets were completed during the year under review.

The Municipality has a road network of approximately 649km, of which 81% are gravel roads, mostly located in the rural areas. A total of 235km of gravel roads were maintained, and an area of approximately 684m² of tarred roads were repaired during the year under review.

The number of households in the Municipality, both formal and informal, amounted to 47,705. The number of households that received waste collection services in the Municipality amounted to 12,853 (27%). The rate of 27% is due to the significant number of municipal households being in the rural areas. The Municipality has also achieved its targets on the six number of areas receiving refuse and

Chapter 3

also the five number of waste collection sites maintained. The Municipal targets were achieved in spite of limited resources.

The Project Management Unit of the Municipality has completed its major projects during the year under review such as the completion of 4.5 KMs of gravel roads were tarred, upgrading of one substation, five new boreholes were drilled, 13KMs of water pipelines replaced.

SUMMARY OF PERFORMANCE TARGETS ACHIEVED PER STRATEGIC OBJECTIVE				
N o	Strategic Objective	Number of indicato rs Planned	Number of Indicato rs Achieve d	% of indicato rs Achieve d
1.	To ensure good leadership and governance	30	25	83%
2.	To ensure efficient and effective Information Communication Technology (ICT)	3	3	100%
3.	To ensure transformed institution with competent and capable human capital	12	6	50%
4.	To ensure financial healthier and sustainable environment	25	20	80%
5.	To ensure provision of basic services	20	14	70%
6.	To ensure sustainable Local Economic Development	19	16	84%
Overall Performance		109	82	76%

The municipality does not have airports, abattoirs and municipal entities.

T 3.29.0

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
STRATEGIC OBJECTIVE 1: TO ENSURE GOOD LEADERSHIP AND GOVERNANCE									
KPA: POLICIES AND PROCEDURES									
1.	Number of monthly Occupational Health and Safety (OHS) reports submitted to MM's office	82%	12	12	12	Achieved	Not Applicable	Signed OHS reports	Not Applicable
2.	Number of HIV and AIDS campaigns conducted	4	3	4	4	Achieved	Not Applicable	Attendance registers	Not Applicable
3.	Number of male condoms distributed.	71 500	1 225 269	71 500	448 410	Achieved	Not Applicable	Distribution list	Reason for over achievement to be provided by Corporate Services
KPA: GOVERNANCE STRUCTURES									
4.	Number of reviews of the organisational structure conducted.	1	1	1	1	Achieved	Not applicable	Council Resolution	Not applicable
KPA: GOOD GOVERNANCE AND LEADERSHIP									
5.	Number of management reports submitted to relevant governance structure	60	110	60	96	Achieved	Not applicable	Minutes of meetings	Not applicable
6.	Number of meetings attended	389	447	389	417	Achieved	Not applicable	Minutes of meetings	Not applicable
7.	% of forum meetings attended as per invitation	100%	90%	100%	100%	Achieved	Not applicable	Attendance registers and proof of invitations	Not applicable
8.	% of internal audit findings resolved within 90 days after internal audit report has been issued.	100%	40%	100%	100%	Achieved	Not applicable	Audit action plan	Not applicable
9.	% of external audit findings resolved within legislated 60 days (31 January)	100%	70%	100%	100%	Achieved	Not applicable	Audit action plan	Not applicable

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
10	Number of annual reports approved before 31 January.	1	1	1	1	Achieved	Not applicable	Council resolutions	Not applicable
11.	Number of unqualified audit opinions obtained	1	0	1	1	Achieved	Not applicable	2017-2018 Audit report	Not applicable
KPA: LEGAL AND COMPLIANCE									
12.	Number of quarterly reports on the status of legal matters	N/A	N/A	4	4	Achieved	Not applicable	Quarterly reports	Not applicable
13	% of disciplinary matters attended within 90 days	90%	100%	90%	100%	Achieved	Not applicable	Register of disciplinary matters	Not applicable
14	% of grievances attended within 5 days	90%	100%	90%	100%	Achieved	Not applicable	Register of grievances	Not applicable
15	% of disputes attended within 90 days	90%	100%	90%	100%	Achieved	Not applicable	Register of disputes	Not applicable
KPA: MARKETING AND COMMUNICATION									
16.	Number of quarterly IDP and budget consultations conducted	4	4	4	2	Not Achieved	Target was incorrectly planned as there are only 2 consultations per year	Register of public consultations conducted	Target will be revised as part of mid-year adjustment for 2019-2020 financial year
17	Number of quarterly staff satisfaction surveys conducted	4	0	4	1	Not Achieved	Target not achieved due to budgetary constraints	Survey reports	Satisfaction surveys will be incorporated on all municipal/HR programmes

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
KPA: PERFORMANCE REPORTING									
18	Number of first draft IDPs approved by 31 March	1	1	1	1	Achieved	Not Applicable	Council Resolution	Not Applicable
19	Number of final draft IDPs approved by 31 May	1	1	1	1	Achieved	Not Applicable	Council Resolution	Not Applicable
33.	Number of SDBIPs approved	1	1	1	1	Achieved	Not Applicable	Council Resolution	Not Applicable
34.	Number of PMS Frameworks approved by 30 September.	1	1	1	1	Achieved	Not Applicable	Council Resolution	Not Applicable
35.	% of senior management's performance agreements approved by 31 July	100%	100%	100%	100%	Achieved	Not Applicable	Performance agreements	Not Applicable
36.	% of senior management's performance agreements submitted to relevant stakeholders by 14 July	100%	100%	100%	0%	Achieved	Submission could not be possible on that date, signing was still in progress	The date will be adjusted to 14 August	Not applicable
37.	% of annual performance assessments of senior management by 30 July.	100%	100%	100%	0	Not Achieved	Tight schedule for panel members	Signed performance assessment	Scheduling of assessments will be addressed in the first quarter of each financial year
38.	% of mid-year performance evaluations of senior management by 28 February.	100%	100%	100%	100%	Achieved	Not Applicable	Performance evaluation reports	Not Applicable
39.	Number of mid-year institutional performance conducted by 25 January	N/A	N/A	1	1	Achieved	Not Applicable	Council Resolution	Not Applicable

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
64.	Number of additional grants sourced	2	0	2	0	Not Achieved	Lack of availability of business plans for long term projects	Register of grants sourced	Business plans to be prepared for unfunded projects from the IDP
65.	Number of supplementary valuation rolls approved.	1	1	1	1	Achieved	Not Applicable	Council resolution	Not Applicable
66.	Number of supplementary valuation roll implemented by 1 July	1	1	1	1	Achieved	Not Applicable	Current tariffs form the billing report	Not Applicable
67.	% reduction in billing accuracy complains.	80%	80%	80%	35%	Achieved	Not Applicable	Complains register	Not Applicable
68.	% of billing complains resolved	100%	100%	100%	100%	Achieved	Not Applicable	Complains register	Not Applicable
69.	Revenue collected from investment properties	55 568	454 432	55 568	0	Not achieved	Information not yet received	Information not yet received	Information not yet received
70.	% own revenue collected	65%	62%	60%	56.2%	Not Achieved	Low collection rate due to difficult economic conditions and resistance from customers to pay	Revenue report	Implementation of Revenue enhancement strategy
KPA: EXPENDITURE MANAGEMENT									
71.	% of operational expenditure spent	90%	99%	90%	100%	Achieved	Not Applicable	Expenditure report	Not Applicable
72.	% of capital expenditure spent	90%	100%	90%	100%	Achieved	Not Applicable	Expenditure report	Not Applicable

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
73.	Maintenance % of employee costs over revenue	35%	45%	40%	0%	Not achieved	Information not yet received	Information not yet received	Information not yet received
KPA: FINANCIAL MANAGEMENT									
74.	Number of reconciliations prepared	96	72	96	96	Achieved	Not Applicable	Reconciliation files	Not Applicable
75.	Improved current ratio to be within accepted industry norm.	1:1	0,82;1	1:1	0.85:1	Not Achieved	Due to the low collection rate and high number of debtors and slow build-up of the reserves to fund short term liabilities	Ratio computation schedule	Implementation of cost curtailment measures and monitoring of spending within the budgets
KPA: UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (UIF)									
76.	% reduction of unauthorised expenditure	R50m	R0m	5%	100%	Achieved	Not Applicable	Annual Financial Statements	Not Applicable
77.	% reduction of irregular expenditure incurred during the financial year	R80m	R37m	5%	100%	Achieved	Not Applicable	Annual Financial Statements	Not Applicable
78.	% reduction of fruitless and wasteful expenditure	R12m	R4m	5%	46%	Achieved	Not Applicable	Annual Financial Statements	Not Applicable
KPA: ASSET MANAGEMENT									
79.	Quarterly physical asset verification conducted of movable assets.	4	12	4	4	Achieved	Not Applicable	Council reports	Not Applicable

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
80.	Re-assessment of useful lives, residual values and impairment test conducted.	1	1	1	1	Achieved	Not Applicable	Asset register	Not Applicable
KPA: DEBT MANAGEMENT									
81.	Reduction in average debtors collection period	90 days	161 days	30 days	435 days	Not Achieved	Due to slow collection of debtors	Debtors age analysis	Implementation of revenue enhancement strategy
KPA: CREDITORS MANAGEMENT									
82.	Reduction in average creditors payment period	30 days	251 days	30 days	100 days	Not Achieved	Due to low reserves	Creditors age analysis	Drafting of business plan to fund not funded projects
KPA: BUDGET MANAGEMENT									
83.	Number of IDP, Budget process plan and framework plan approved by 25 August	1	1	1	1	Achieved	Not Applicable	Council Resolution	Not Applicable
84.	Number of final operating & capital budget approved by 31 May	1	1	1	1	Achieved	Not Applicable	Council Resolution	Not Applicable
STRATEGIC OBJECTIVE 5: TO ENSURE PROVISION OF BASIC SERVICES:									
KPA: ACCESS TO ELECTRICITY									
85.	Number of registered indigent households receiving free basic electricity services.	1 300	1 759	1 759	5 343	Achieved	Not Applicable	Register of indigents households	Not Applicable
86.	KMs of electricity network maintained.	25	59,65	25	90.03	Achieved	Not Applicable	Inspections sheets	Not Applicable

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
87.	Number of electricity meter kiosks maintained.	100	22	20	42	Achieved	Not Applicable	Daily work forms	Not Applicable
88.	Number of electricity substations upgraded	1	0	1	1	Achieved	Not Applicable	Service Providers report	Not Applicable
89.	Number of electricity substations maintained.	0	2	1	1	Achieved	Not Applicable	Daily work forms or reports	Not Applicable
90.	Number of electricity transformers maintained.	105	44	44	89	Achieved	Not Applicable	Inspection sheets	Not Applicable
91.	Reduction of electricity distribution losses %.	18%	-1%	2%			Information to be obtained from AFS	Electricity distribution losses schedule made form disclosure note on Annual Financial Statements	Information to be obtained from AFS
KPA: ACCESS TO WATER AND SANITATION									
92.	Number of boreholes maintained.	10	36	10	47	Achieved	Corrective maintenance performed	Job cards	The target will be reviewed as part of mid-term assessment and adjusted accordingly
93.	KMs of water pipelines replaced.	5	12,8	5	13.12	Achieved	The water project which was not completed on the previous year were completed in 2018/19 Financial year resulting in the over achievement of the target.	Completion certificates	Planned programme should be completed on the planned financial year.
94.	KMs of distribution network maintained	12	0.992	5	22.37	Achieved	The indicator was over achieved to	Job cards	Not applicable

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
							more Emergencies maintenance performed in the current year		
95.	Reduction of water distribution losses %.	16%	28.57%	2%		Not Achieved	Information to be obtained from CFO	Water distribution losses schedule calculated from disclosure note made on the Annual Financial Statements	Information to be obtained from CFO
KPA: ACCESS TO ROADS AND TRANSPORTATION SYSTEM									
96.	KMs of gravel road paved	3.5	2,88	3,5	3.91	Achieved	The project which was not completed on the previous year were completed in 2018/19 Financial year resulting in the over achievement of the target.	Completion certificates	Planned programme should be completed on the planned financial year.
97.	KMs of gravel roads maintained.	300	407,2	300	235,3	Not Achieved	Recurring breakdown of yellow fleet caused under achievement	Signed job cards	Prioritise the procurement of new yellow fleet. Provision has been made on the budget.

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
98.	Number of foot bridges constructed	5	3	5	1	Not Achieved	Shortage of tipper trucks and TLBs are the reasons for the under achievement	Signed progress reports	Prioritisation procurement of new yellow fleet. Provision has been made on the budget.
99.	Number of bridges maintained	1	3	1	0	Not Achieved	Shortage of tipper trucks and TLBs	Not Applicable	Prioritisation procurement of new yellow fleet. Provision has been made on the budget
100.	Number of speed humps constructed.	4	2	2	4	Achieved	The target was over achieved due to assistance obtained from the Department of Public Works, Roads and Transport (DPWRT)	Signed progress report	Not applicable
101.	Square metres of road repaired.	800	286,5	800	684	Not Achieved	The target was not achieved due to the shortage of personnel within the Road Section	Signed Job cards	Filling of vacant positions are being prioritised in 2019/2020 financial year
KPA: WASTE MANAGEMENT									
102.	Number of areas receiving refuse removal.	6	6	6	6	Achieved	Not Applicable	Weekly plans	Not Applicable
103.	Number of refuse bins supplied to billable households.	1 000	0	500	512	Achieved	Not Applicable	List of beneficiaries	Reason for over achievement from Mr Shabangu
104.	Number of landfill sites maintained.	5	5	5	5	Achieved	Not Applicable	Weekly plans and trip authorities	Not Applicable

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
STRATEGIC OBJECTIVE 6: TO ENSURE SUSTAINABLE LOCAL ECONOMIC DEVELOPMENT									
KPA: SOCIAL DEVELOPMENT									
105.	Number of employee wellness programmes conducted.	4	13	4	4	Achieved	Not applicable	Attendance register	Not applicable
KPA: ECONOMIC DEVELOPMENT									
106.	Number of Co-ops and SMMEs offered support.	8	125	4	38	Achieved	Not applicable	Register of Co-ops and SMMEs offered support	Reason for over achievement from Mr Lukhele
107.	Number of monthly RDP houses inspection conducted	24	1039	12	12	Achieved	Not applicable	Quarterly reports detailing monthly progress reports	Not applicable
108.	% submitted plans approved within 30 days	80%	100%	80%	100%	Achieved	Not applicable	Register of building applications and actual applications file	Reason for over achievement from Mr Lukhele
109.	Number of cemeteries maintained.	6	6	6	6	Achieved	Not Applicable	Weekly plans and trip authorities	Not Applicable
110.	Number of informal settlement upgraded.	2	0	2	4	Achieved	Not Applicable	Proclamation from human settlement	Reason for over achievement form Mr Lukhele
111.	Number of township establishment	1	0	1	0	Not achieved	The process is still at Tribunal due to the delays by the service provider	Progress reports	Meetings will be held on a monthly basis to monitor progress of the service provider.
112.	Number of community halls maintained.	3	2	3	14	Achieved	Not applicable	Register of halls maintained	Reason to be obtained from Corporate Services

Chapter 3

No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
113.	Number of community halls refurbished	1	1	1	4	Achieved	Not applicable	Completion certificates	Reason to be obtained from Corporate Services
114.	Number of sport facilities upgraded.	N/A	N/A	1	1	Achieved	Not applicable	Completion certificates	Not applicable
KPA: JOB OPPORTUNITIES									
115.	Number of jobs created through EPWP programme	200	3 773	200	200	Achieved	Not applicable	Register of employees to be provided by Mr Lukhele	Not applicable
KPA: EMPLOYMENT EQUITY									
116.	Number of Employment Equity Plan (EER) and Employment Equity Report (EER) submitted to Labour by 31 January	1	1	1	1	Achieved	Not applicable	Proof of submission	Not applicable
KPA: DISASTER MANAGEMENT									
117.	% of disaster incidents reported and attended within 24 hours	82%	100%	82%	82%	Achieved	Not Applicable	Callout notices	Not Applicable
118.	Number of disaster management awareness campaigns conducted	4	4	4	4	Achieved	Not Applicable	Attendance registers	Not Applicable
KPA: HEALTHY AND SAFER ENVIRONMENT									
119.	Number of monthly Occupational Health and Safety (OHS) reports submitted to MM's office	82%	12	12	12	Achieved	Not Applicable	Signed OHS reports	Not Applicable
120.	Number of HIV and AIDS campaigns conducted	4	3	4	4	Achieved	Not Applicable	Attendance registers	Not Applicable

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No	Key Performance Indicator	2017-2018		2018-2019		Target Achieved/ Not Achieved	Reason for deviation	Portfolio of Evidence	Measures Taken to Improve Performance
		Target (restated)	Actual performance (restated)	Target	Actual performance				
121.	Number of male condoms distributed.	71 500	1 225 269	71 500	448 410	Achieved	Not Applicable	Distribution list	Reason for over achievement to be provided by Corporate Services
KPA: SAFER ROADS									
122.	Number of traffic law enforcement programmes implemented	5	4	5	6	Achieved	Not Applicable	Register of programmes	Reason for over achievement to be provided by Mr Shabangu
123.	% increase in traffic fines issued	5%	25%	5%	23.6%	Achieved	Not Applicable	Register of fines issued	Reason for over achievement to be provided by Mr Shabangu

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CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

INTRODUCTION

In terms of section 67 of the Local Government: Municipal Systems Act (2000) (Act No 32 of 2000) a municipality must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective, and transparent personnel administration in accordance with the Employment Equity Act, 1998.

T 4.0.1

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	2017-18	2018-19			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water and Waste Water (Sanitation)	158	166	146	20	4%
Electricity	9	11	9	3	0.5%
Waste Management	18	52	33	19	3.7%
Project Management	5	6	6	0	0%
Housing	3	3	3	0	0%
Waste Water and Roads (Stormwater Drainage)	30	29	22	7	1.4%
Finance	48	55	54	1	0.2%
Fleet and Transport Management	6	6	5	1	0.2%
Planning	5	5	5	0	0%
Local Economic Development	4	4	3	1	0.2%
Planning (Strategic & Regulatory)	6	7	5	2	0.4%
Community & Social Services	21	6	6	0	0%
Environmental Protection	36	36	31	5	0.9%
Security and Safety	34	34	34	0	15%
Sport and Recreation	1	2	1	1	0.2%
Corporate Policy Offices and Other	64	82	77	5	0.9%
Totals	448	505	440	65	27.6%
					T4.1.1

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Vacancy Rate: 2018-19			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0%
CFO	1	0	0%
Other S57 Managers (excluding Finance Posts)	4	1	25%
Other S57 Managers (Finance posts)	0	0	0%
Police officers	0	0	0%
Fire fighters	12	0	0%
Senior management: Levels 13-15 (excluding Finance Posts)	0	0	0%
Senior management: Levels 13-15 (Finance posts)	0	0	0%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	2	2	0%
Highly skilled supervision: levels 9-12 (Finance posts)	2	2	0%
Total	22	05	23%
T 4.1.2			

Vacancy Rate: 2018-19			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0%
CFO	1	0	0%
Other S57 Managers (excluding Finance Posts)	4	1	25%
Other S57 Managers (Finance posts)	0	0	0%
Police officers	0	0	0%
Fire fighters	12	0	0%
Senior management: Levels 13-15 (excluding Finance Posts)	0	0	0%
Senior management: Levels 13-15 (Finance posts)	0	0	0%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	2	2	0%
Highly skilled supervision: levels 9-12 (Finance posts)	2	2	0%
Total	22	05	23%
T 4.1.2			

Chapter 4

COMMENT ON VACANCIES AND TURNOVER:

Total vacancy rate as at 30 June 2019 was 15%. Turnover rate for the year under review was 153%. This represents 30% decrease when compared to the previous year.

T 4.1.4

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
2015-16	42	12	29%
2016-17	11	19	173%
2017-18	12	22	183%
2018-19	15	23	153%
			T 4.1.3

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

In terms of section 67 of the Local Government: Municipal Systems Act (2000) (Act No 32 of 2000) a municipality must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective, and transparent personnel administration in accordance with the Employment Equity Act, 1998.

T 4.2.0

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4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Acting Allowance Policy	100%	100%	25 /7/ 2019
2	Attraction and Retention	100%	n/a	26 / 04 / 2018
3	Bursary Policy	100%	100%	25 /7/ 2019
4	Bereavement Policy	100%	2018	Under review
5	Code of Conduct for employees	100%	n/a	Sent to LLF Sub-committee for inputs
6	Delegations, Authorisation and Responsibility	100%	100%	2016
7	Demotion, Promotion and Transfer Policy	100%	100%	25 /7/ 2019
8	Disciplinary Code and Procedures	100%	n/a	SALGBC
9	Dress Code Policy	100%	100%	25 /7/ 2019
10	Essential Services	100%	100%	2017
11	Employee Wellness Policy	100%	100%	25 /7/ 2019
12	Employees under the influence of intoxicating liquor policy	100%	100%	25 /7/ 2019
13	Employee Assistance Policy	100%	100%	25 /7/ 2019
14	Employment Equity Plan	100%	100%	25 /7/ 2019
15	Exit Management	100%	n/a	2012
16	Exchange Programme Policy	100%	100%	25 /7/ 2019
17	Grievance Procedures	100%	n/a	SALGBC
18	HIV/AIDS	100%	100%	26 / 04 / 2018
19	Human Resource and Development	100%	100%	26 / 04 / 2018
20	Information Technology	100%	100%	26/ 04 / 2018
21	Incapacity due to ill-health Policy	100%	100%	25 /7/ 2019
22	Leave Policy	100%	100%	25 /7/ 2019
23	Legal Aid Policy	100%	100%	25 /7/ 2019
24	Name Badge Policy	100%	100%	25 /7/ 2019
25	Occupational Health and Safety	100%	100%	25 /7/ 2019
26	Official Working Hours and Overtime	100%	n/a	BCEA
27	Organisational Rights	100%	n/a	SALGBC
28	Payroll Deductions	100%	n/a	BCEA
29	Performance Management System	100%	n/a	2012
30	Recruitment and Selection Policy	100%	100%	25 /7/ 2019
31	Relocation	100%	100%	25 /7/ 2019
32	Sexual Harassment	100%	100%	25 /7/ 2019
33	Training Development Policy	100%	100%	25 /7/ 2019
34	Smoking	100%	100%	25 /7/ 2019
35	Subsistence and Travelling	100%	100%	25 /7/ 2019
36	Succession Planning Policy	100%	100%	25 /7/ 2019

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37	Workplace Sports Policy	100%	100%	25 /7/ 2019
38	Zero-harm Policy	100%	100%	25 /7/ 2019
39	Task Job Evaluation Policy	100%	100%	25 /7/ 2019
				T 4.2.1

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

The municipality have 25 developed and implemented policies in place to govern its operation through managing its workforce.

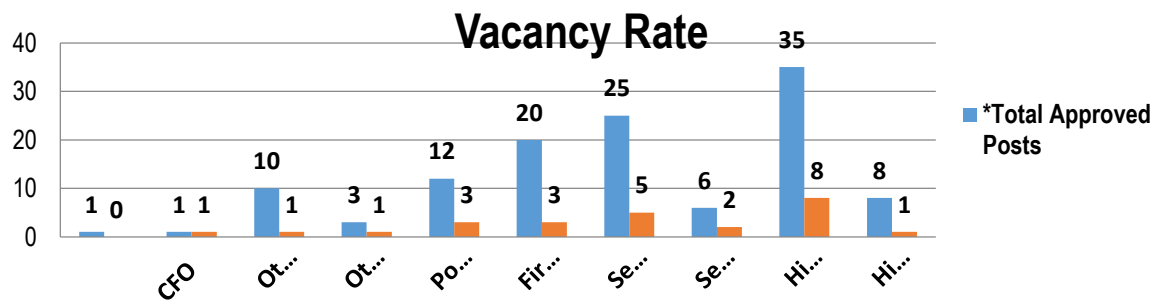
T 4.2.1.1

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	09	03	3%	3	R5 295
Total	09	3	3%	3	R5 295
T 4.3.1					

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	17	4%	15	178	0.09	R356
Skilled (Levels 3-5)	29	9%	29	106	0.27	R452
Highly skilled production (levels 6-8)	24	6%	18	89	0.26	R1152
Highly skilled supervision (levels 9-12)	13	1%	9	22	0.59	R1440
Senior management (Levels 13-15)	07	0%	3	17	0.41	R2160
MM and S57	02	0%	1	06	0.33	R3456
Total	91	%	09	440	6.22	141
						T 4.3.2

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T 4.3.3

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
2016-17	11	19	173%
2017-2018	12	22	183%
2018-2019	15	23	153%

T 4.1.3

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	14	1	0,23%	1	6300
Temporary total disablement	121	1	0,23%	1	139392
Permanent disablement	0	0	0%	0	0
Fatal	0	0	0%	0	0
Total	135	2	1%	27	145692

T 4.3.1

COMMENT ON INJURY AND SICK LEAVE:

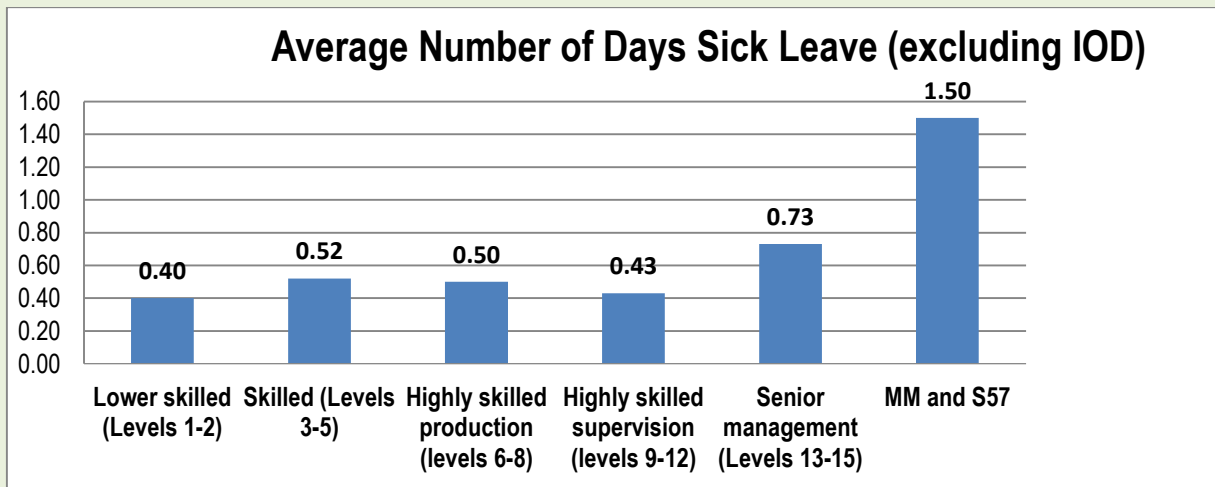
There were only 2 injuries on duty reported during the current under review requiring basic medical attention. There were not fatal incidents, permanent or temporary disablements. Sick leave remained under control and it is managed manually by line managers at departmental level.

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T 4.3.4

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	51	17%	17	125	0,40	30
Skilled (Levels 3-5)	59	6%	23	113	0,52	
Highly skilled production (levels 6-8)	49	12%	14	98	0,50	
Highly skilled supervision (levels 9-12)	31	1%	9	72	0,43	31
Senior management (Levels 13-15)	19	0%	7	26	0,73	
MM and S57	9	0%	3	6	1,50	
Total	218	36%	73	440	0,50	61

T 4.3.2



Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised

Chapter 4

Electrician	Electricity Meter Box tampering	13/10/2017	The sanction imposed to the employee was 12 months without annual salary increment with effect from the 1 st July 2018 till 30 th June 2019	14 th September 2018
T 4.3.5				

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
Electrician	Electricity Meter Box tampering	12 months No annual increase sanction	14 th September 2018
Electricity labour	Absenteeism	Pending	Pending
Building Inspector	Gross negligence and dishonesty	Not suspended	The case is still pending since Disciplinary hearing sessions are undertaken

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

There was one suspension of more than 4 months during the year under review. The employee was suspended for a period of 12 months.

T 4.3.7

4.4 PERFORMANCE REWARDS 2018/19

COMMENT ON PERFORMANCE REWARDS:

The senior managers were assessed accordingly by the accounting officer and the Executive Mayor assessed the Accounting Officer in line with the Performance Regulations of 2006, the results are to be presented to the Audit Committee for rectifications before they are sent to council for confirmation and decision once they are confirmed by council they will be made public on the final report that will be sent to Legislature and the MEC for Local Government Honourable MEC .Mandla Msibi

Chapter 4

4.5 PERFORMANCE RESULTS FOR THE 2018/19 FINANCIAL YEAR FOR SECTION 56 MANAGERS

Name	Designation	2018/2019	
		Total Score (%)	Performance Bonus (%)
Mr TA Lukhele	PED	Withheld	Withheld
Mr BC Mdutyulwa	PMU	Withheld	Withheld
Mr MGT Mnisi	CFO	Withheld	Withheld
Vacant	CORPS	Withheld	Withheld
Mr JW Shabangu	COMMS	Withheld	Withheld
Vacant	TECH	Withheld	Withheld
Mr MS Dlamini	MM	Withheld	Withheld

T 4.4.1.1

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards 2017-18 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female				
	Male				
Skilled (Levels 3-5)	Female				
	Male				
Highly skilled production (levels 6-8)	Female				
	Male				
Highly skilled supervision (levels 9-12)	Female				
	Male				
Senior management (Levels 13-15)	Female				
	Male				
MM and S57	Female				
	Male				
Total		50	21		
Has the statutory municipal calculator been used as part of the evaluation process ?					Yes/No

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

In terms of section 68(1) of the MSA (2000), a municipality must develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

T 4.5.0

Chapter 4

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June 2018	Number of skilled employees required and actual as at 30 June 2018											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of 2017-18	Actual: End of 2017-18	2017-18 Target	Actual: End of 2017-18	Actual: End of 2017-18	2017-18 Target	Actual: End of 2017-18	Actual: End of 2017-18	2017-18 Target	Actual: End of 2017-18	Actual: End of 2018-19	2018-19 Target
MM and s57	Female	0	0	0	0	0	0	0	0	0	0			1
	Male	6	0	0	0	0	4	1	1	1	1	1	1	4
Councillors, senior officials and managers	Female	4	2	2	3	0	13	2	2	0	4	3	3	61
	Male	3	1	1	3	0	18	2	2	0	3	5	5	135
Technicians and associate professionals*	Female	11	7	7	20	3	0	1	1	0	11	3	3	41
	Male	14	12	12	20	2	0	0	0	0	14	1	1	86
Professionals	Female	1	0	0	1	0	0	1	1	0	1	5	5	17
	Male	5	1	1	1	0	0	4	4	0	5	6	6	93
Total		44	23	23	48	5	35	11	11	1	39	24	24	438

*Registered with professional Associate Body e.g CA (SA)

Chapter 4

Skills Development Expenditure										
R'000										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development 2018-19							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	0	0	0	0	0	335	0	335	0
	Male	6	0	0	0	0	335	10	335	10
Legislators, senior officials and managers	Female	30	0	0	0	0	335	6	335	6
	Male	40	0	0	0	0	335	26	335	26
Professionals	Female	06	0	0	0	0	335	9	335	9
	Male	08	0	0	0	0	335	25	335	25
Technicians and associate professionals	Female	38	0	0	0	0	335	10	335	10
	Male	95	0	0	0	0	335	0	335	0
Clerks	Female	26	0	0	0	0	335	20	335	20
	Male	16	0	0	0	0	335	22	335	22
Service and sales workers	Female	15	0	0	0	0	335	0	335	0
	Male	23	0	0	0	0	335	35	335	35
Plant and machine operators and assemblers	Female	02	0	0	0	0	335	0	335	0
	Male	27	0	0	0	0	335	0	335	0
Elementary occupations	Female	43	0	0	0	0	335	20	335	20
	Male	61	0	0	0	0	335	10	335	10
Sub total	Female	160	0	0	0	0	335	65	335	65
	Male	270	0	0	0	0	335	108	335	108
Total		448	0	0	0	0	335	366	335	366
**% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									100%*	366
T4.5.3										

Chapter 4

COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

The municipality spent 109% of the budgeted training costs during the year under review. This was due to more training costs than anticipated.

T 4.5.4

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

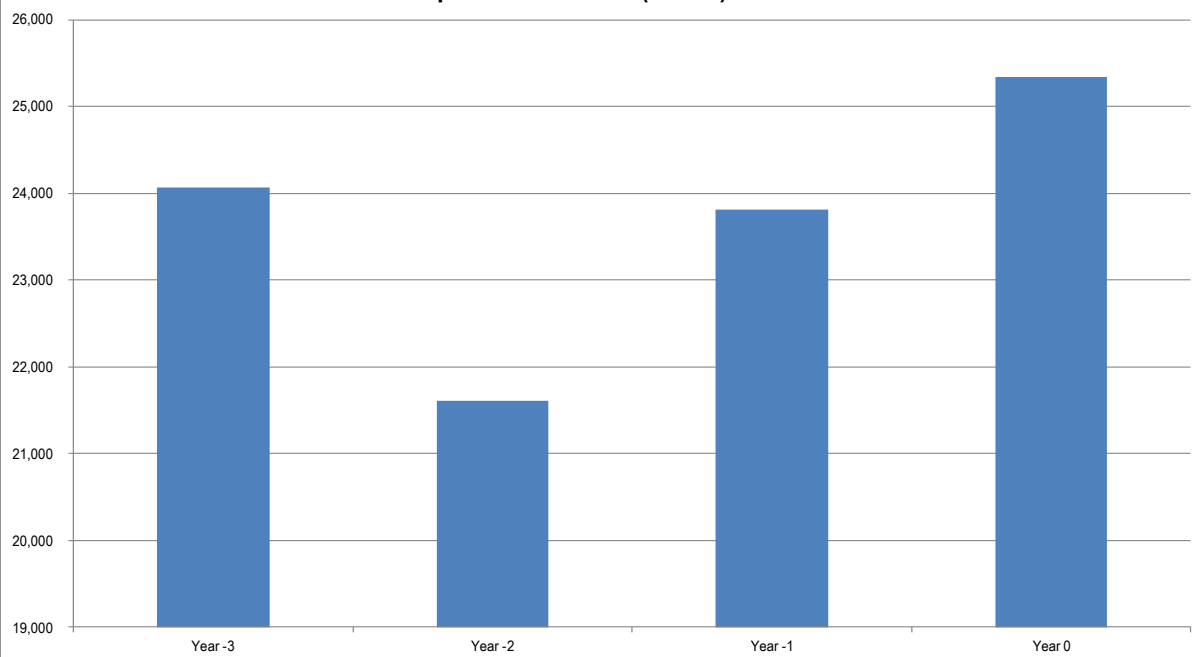
INTRODUCTION TO WORKFORCE EXPENDITURE

The Municipal workforce expenditure was well managed by management as intended and it is within control.

T 4.6.0

4.6 EMPLOYEE EXPENDITURE

Workforce Expenditure Trends (R' 000)



Source: MBRR SA22

T 4.6.1

COMMENT ON WORKFORCE EXPENDITURE:

The municipality is currently 83% capacitated in terms of human capital. Vacancies remain the main challenge within the municipality due to lack of requisite skills within the municipal demarcation.

T 4.6.1.1

Chapter 4

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels9-12)	Female	0
	Male	0
Senior management (Levels13-16)	Female	0
	Male	0
MM and S 57	Female	0
	Male	0
Total		0
T 4.6.2		

COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE:

There were no employees whose salary levels were exceeded as a result of job evaluation. There were also no employees appointed outside of the approved structure during the year under review.

T 4.6.5

Chapter 5

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Reconciliation of Table A1 Budget Summary											
	2018-19										2017-18
Description	Budget Spreadsheet	EMS Budget Upload	Mun Adjustments	Approved Budget 2018/19	Actual Year to Date	Estimate Results	Deviation	% Deviation	Adjustment To made	Adjustment Budget	Actual
REVENUE											
	R'000										
ASSESSMENT RATES	(79 067)	(79 067)	(5 686)	84 735	(102 113)	(136 157)	(51 426)	4	(1 364)	(86 095)	63 682
PROPERTY RATES	(84 467)	(84 467)	(5 686)	(93 153))	(102 113)	(156 419)	(66 288)	1	(1 364)	(91 495)	69 082
LESS: REVENUE FORGONE	5 400	5 400	5 400	5 400		20 263	14 863	4	-	5 400	5400
SERVICE CHARGES	(51 493)	(51 493)	(355 171)	(51 138)	(51 758))	(49 013)	2 576	6	1 588	(50 001)	62 663
Service Charges: Electricity	(28 109)	(33 644)	(18 768)	(28 109)		(30 050)	(1 942)	5	(2 006)	(30 115)	
Service Charges: Water	(7 384)	(7 384)	(4 204)	(7 384)		(3 143)	4 241	0	3 184	(4 200)	
Service Charges: Sewerage	(8 214)	(8 214)	(4 984)	(8 214)		(5 513)	2 701	1	2 829	(5 385)	
Service Charges: Refuse	(7 883)	(7 883)	(9)	(7 883)		(10 307)	(2 424)	-	(2 418)	(10 301)	
RENTAL OF FACILITIES & EQUIPMENT	(1 053)	(1 053)	(535)	(516)	(1 296)	(2 491)	(494)	2	(741)	(2 738)	1 176
INTEREST EARNED: EXTERNAL INVESTMENTS	(19 623)	(19 623)	(17 089)	(36 712)	(3476)	(2 654)	(19)	1	-	(2 636)	33 407
INTEREST EARNED: OUTSTANDING DEBTORS	(15 299)	(21 920)	(24 857)	(15 299)	(53 072)	(25 656)	(10 357)	2	(11 000)	(26 299)	2 660
FINES	(163)	(163)	(4 802)	(4 965)	(6 387)	(101)	(101)	-	(100)	(100)	10 083
LICENCES AND PERMITS	-	-	-	-	(31)	(2)	(2)	-	(2)	(2)	(2)
GOV GRANTS & SUBSIDIES: UNCONDITIONAL	(401 883)	(401 883)	(16 766)	(394156))	411 182	(344 520)	(94 524)	1	(10 495)	(260 491)	(388 376)
GOV GRANTS & SUBSIDIES: CONDITIONAL						(2)	6 129	0	-	(6 131)	
OTHER INCOME	(10 844)	(10 844)	0	(10 844)	136 923	(9 119)	(3 497)	3	(4 931)	(10 552)	(13 097)
PROFIT ON SALE OF INVESTMENT PROPERTY/LAND						(894)	(753)	3	(350)	(491)	(554)
TOTAL REVENUE	589 878	589 878		596 925	766 242						571 114

Chapter 5

Description	Budget Spreadsheet	EMS Budget Upload	Mun Adjustments	Approved Budget 2017/18	Actual Year to Date	Estimate Results	Deviation	% Deviation	Adjustment To made	Adjustment Budget	Restatd audit outcome
EXPENDITURE											
EMPLOYEE RELATED COSTS	156 799	156 799	0	156 799	165 876	153 019	13 247	4736%	16 101	155 872	159 913
EMPLOYEE RELATED COSTS: REMUNERATION	156 799	156 799	0	156 799		124 430	9 855	3457%	12 575	127 149	
REMUNERATION OF COUNCILLORS	26 387	26 387	0	26 387	18 504	17 300	107 076	872%	157 800	17 350	18 555
IMPAIRMENT LOSSES	0	0	0	0	102 220		(49 707)	0%	2 110	51 817	70 028
DEPRECIATION	41 220	41 220	0	41 220	48 476		(39 146)	0%		39 146	43 837
REPAIRS AND MAINTENANCE	51 538	51 538	0	51 538	17667	10 295	2 300	846%	4 371	12 366	15 373
BULK PURCHASES	66 075	66 075	(20 000)	86 075	73 515	26 359	(35 211)	43%		61 570	36 735
CONTRACTED SERVICES	67 200	67 200	3 992	63 207	40 345	48 910	15 191	1989%	21 862	55 581	40 686
GRANTS AND SUBSIDIES PAID: OPERATIONAL	135 711	135 711	(135 771)	271 422	0	26	4	119%	120	142	0
FREE BASIC SERVICES	0	0	0	0	0	(3)	(12)	86%	10	19	19
GRANTS AND SUBSIDIES PAID: CONDITIONAL	0	0	0	0	0	6	(1 295)	0%	(400)	901	0
GENERAL EXPENSES	44 623	44 623	1 628	46 251	101 535	31 598	(3 246)	2040%	5 170	40 014	55 901
TOTAL EXPENDITURE	589 556	589 556	149 090	738 647	580 040	287 509	(97 768)	10731%	49 502	434 778	468 136
OPERATIONAL SURPLUS/DEFICIT	(322)	(322)	(142)	(141)	186 202	(283 099)	(250 235)	13877%	22 108	(10 757)	102 977
CONTRIBUTIONS TO FUNDS & RESERVES						1 142	(15 456)	273%	(7 028)	9 571	
SURPLUS/DEFICIT AFTER APPROPRIATIONS						(281 958)	(265 691)	14149%	15 080	(1 186)	

Chapter 5



Chapter 5

COMMENT ON FINANCIAL PERFORMANCE:

The income and expenditure in the 2017/18 financial year has improved from the previous financial year. This resulted in an operating surplus of R80,2 million. Total revenue increased by 1% from R518 million in 2015/16 to R523 million in 2017/18. The total expenditure increased by 9.6% from R405 million in 2015/16 to R444 million in 2017/18, as reflected in the Statement of Financial Performance in the Annual Financial Statements.

T5.1.3

Chapter 5

5.2 GRANTS

Grant Performance						
R' 000						
Description	2017-18	2018-19			2017-18	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<u>Operating Transfers and Grants</u>						
Total Operating Transfers and Grants	(344 519)	(411 182)	(411 182)	(411 182)		
Gov grants & subsidies: unconditional	(344 519)	(358 203)	(358 203)	(358 203)		
Gov grants & subsidies: conditional	–	(131 890)	(131 890)	(131 890)		
Total Operating Transfers and Grants	(344 519)	(411 182))	(411 182))	(411 182))		
						<i>T 5.2.1</i>

Chapter 5

COMMENT ON OPERATING TRANSFERS AND GRANTS:

The municipality spent 100% of the grants received during the year under review.

T 5.2.2

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant 2017-18	Actual Grant 2018-19	2017-18 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
National Government						
Department of Energy	7 000	8 334	0	30-Jun-18	30-Jun-18	Electrical services
National Treasury	1 700	1 700	0	30-Jun-18	30-Jun-18	Financial Management services
CoGTA	84 185	85 281	0	30-Jun-18	30-Jun-18	Infrastructure services
Department of Water and Sanitation	35 000	34 764	0	30-Jun-18	30-Jun-18	Water and Sanitation services

T 5.2.3

COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The Municipality did not receive any other grants other than specified above.

T 5.2.4

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

The Asset Management Section consists of the Accountant: Assets and Clerks: Assets, and forms part of the Supply Chain Management Unit within the Finance Department. The Municipality has and maintains a management, accounting and information system that accounts for the assets of the Municipality. The Municipality's assets are valued in accordance with standards of the Generally Recognized Accounting Practice (GRAP). The Municipality has and maintains a system of internal control of assets, including an asset register.

T 5.3.1

TREATMENT OF THE THREE+LARGEST ASSETS ACQUIRED 2017-18

Asset 1

Chapter 5

Name	Eerstehoek Water Scheme.			
Description	Upgrading of Eerstehoek Water Scheme.			
Asset Type	Underground Infrastructure			
Key Staff Involved	Mr Mdutshulwa			
Staff Responsibilities	Project Manager			
Asset Value	2014-15	2015-16	2016-17	2017-18
	0	0	0	23 700 000
Capital Implications	Grant used			
Future Purpose of Asset	Distribution of water			
Describe Key Issues	Underground Infrastructure			
Policies in Place to Manage Asset	Asset Management Policy			
Asset 2				
Name	Lusushwane Water Scheme			
Description	Refurbishment of Lusushwane Water Scheme			
Asset Type	Underground Infrastructure			
Key Staff Involved	Mr Mdutshulwa			
Staff Responsibilities	Project Manager			
Asset Value	2014-15	2015-16	2016-17	2017-18
	0	0	0	11 300 000
Capital Implications	Grant used			
Future Purpose of Asset	Distribution of water			
Describe Key Issues	Underground Infrastructure			
Policies in Place to Manage Asset	Asset Management Policy			
Asset 3				
Name	Diepdale Ring Road			
Description	Construction of Diepdale Ring Road			
Asset Type	Infrastructuer			
Key Staff Involved	Mr Mdutshulwa			
Staff Responsibilities	Project Manager			
Asset Value	2014-15	2015-16	2016-17	2017-18
	0	0	0	7 000 000
Capital Implications	Grant used			
Future Purpose of Asset	Transportation system			
Describe Key Issues	Underground Infrastructure			
Policies in Place to Manage Asset	Asset Management Policy			
T 5.3.2				

COMMENT ON ASSET MANAGEMENT:

All major assets acquired related to capital expenditure infrastructure assets.

Chapter 5

T 5.3.3

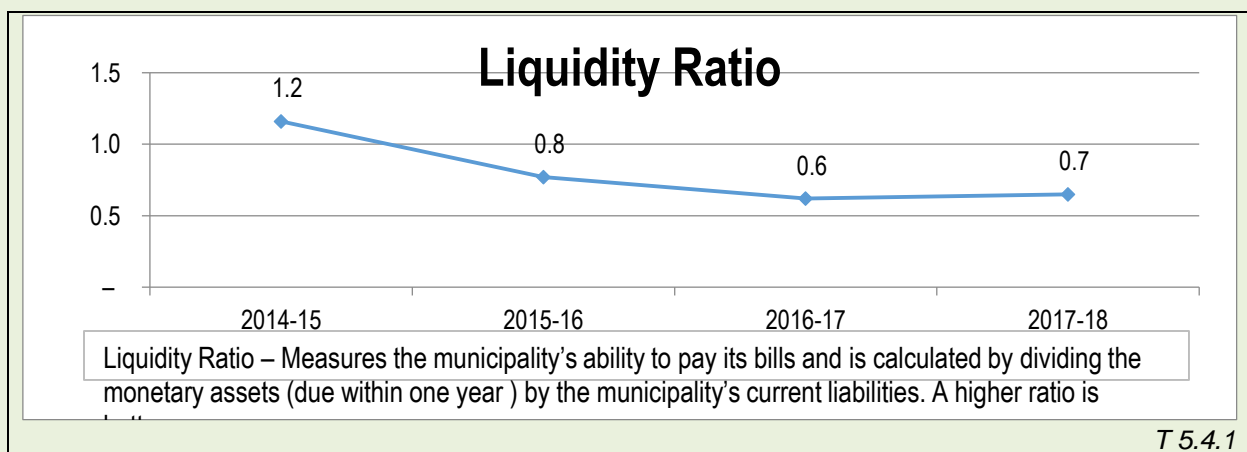
Repair and Maintenance Expenditure: 2017-18				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	0	0	0	0
T 5.3.4				

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

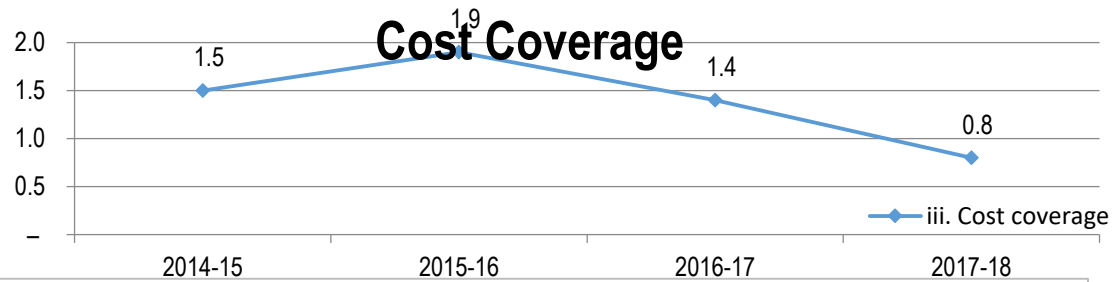
Repairs and Maintenance is budgeted under contracted services due to mSCOA reclassifications

T 5.3.4.1

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

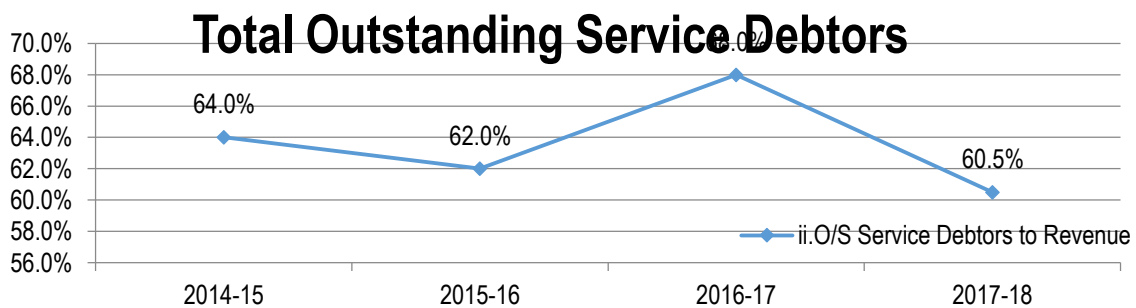


Chapter 5



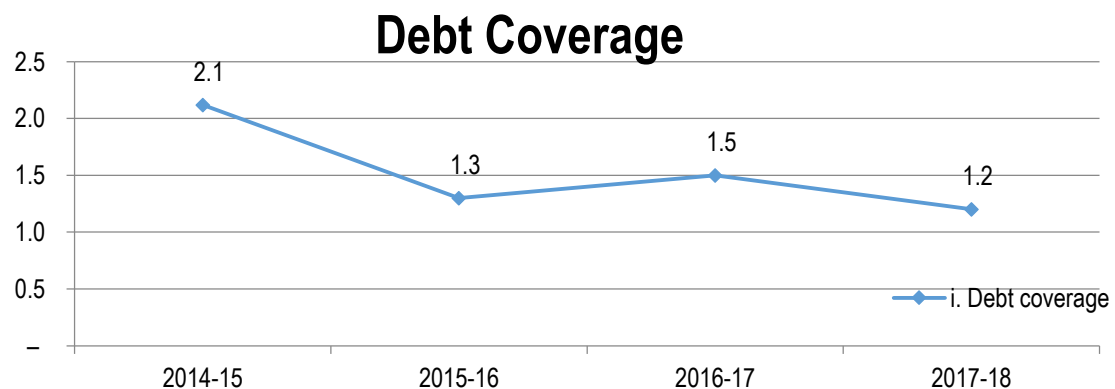
Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

T 5.4.2



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money

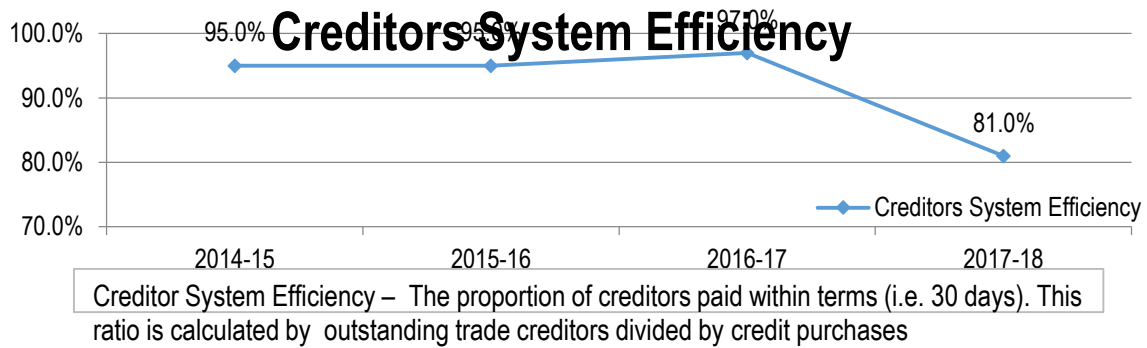
T 5.4.3



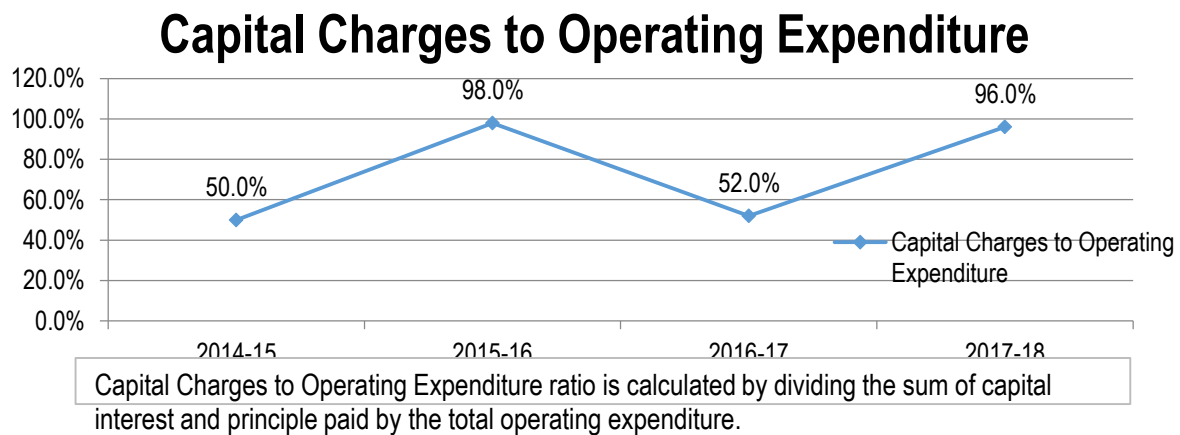
Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants). This in turn represents the ease with which debt payments can be accommodated by the municipality

T 5.4.4

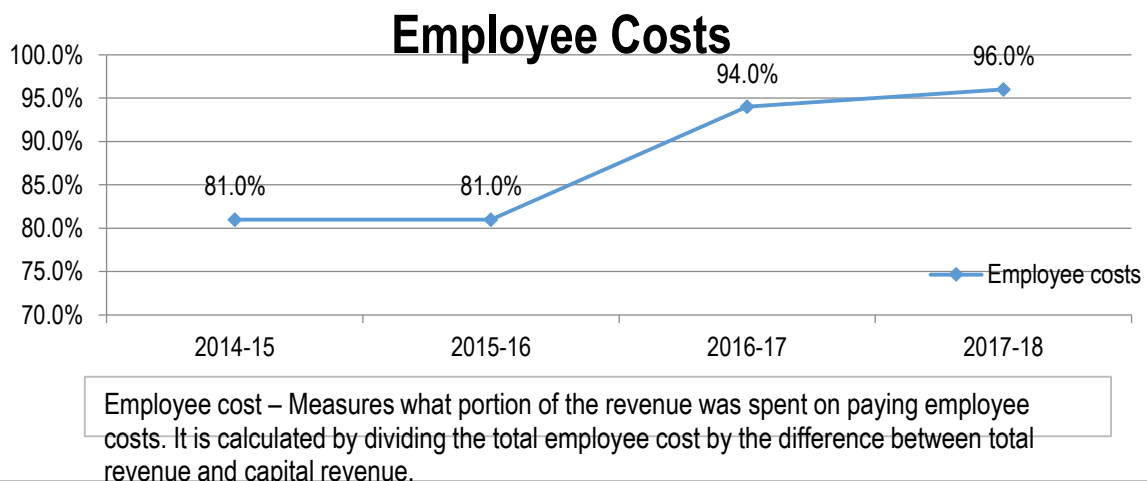
Chapter 5



T 5.4.5



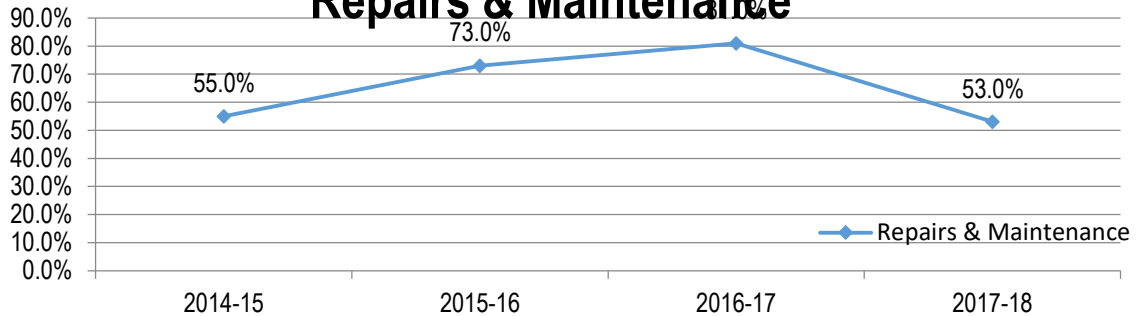
T 5.4.6



T 5.4.7

Chapter 5

Repairs & Maintenance



Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance.

T 5.4.8

COMMENT ON FINANCIAL RATIOS:

The financial ratios were below industry expected norm due to financial difficulty the municipality finds itself under. Management endeavor to manage limited funds available with caution in an attempt to improve the difficult financial of the municipality thereby improving its health status.

T 5.4.9

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

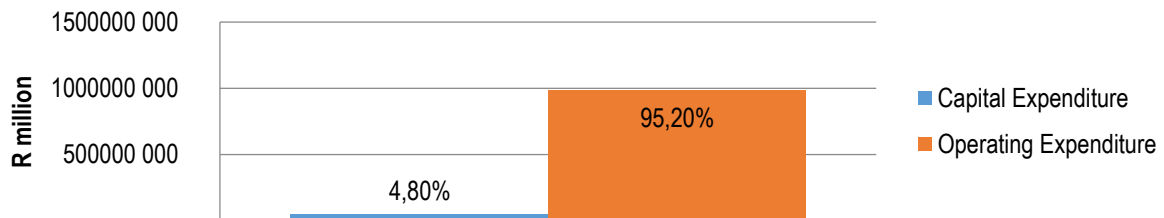
INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure was funded through grants. The Municipality received various grants from different sources to fund capital expenditure during the year under review.

T 5.5.0

5.5 CAPITAL EXPENDITURE

Capital Expenditure: 2017-18



T 5.5.1

Chapter 5

5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2016-17 to 2017-18							
R' 000							
Details		2017-18	2018-19				
		Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance							
	External loans	491353	0	0	0	0,00%	0,00%
	Public contributions and donations	0	0	0	0	0,00%	0,00%
	Grants and subsidies	344521	411 182	411 182	411 182	4,10%	34,51%
	Other	226086	412765	98 477	355060	-37,65%	39,55%
Total		1061960	823 947	509659	766242	-33,55%	74,06%
Percentage of finance							
	External loans	46,3%	0,0%	0,0%		0,0%	0,0%
	Public contributions and donations	0,0%	0,0%	0,0%		0,0%	0,0%
	Grants and subsidies	32,4%	61,3%	72,5%		-12,2%	46,6%
	Other	21,3%	38,7%	27,5%		112,2%	53,4%
Capital expenditure							
	Water and sanitation	15177	35000	34 6740		-100,00%	-56,64%
	Electricity	1302	3000	8 3340		-100,00%	-56,60%
	Housing	0	0	0		0,00%	0,00%
	Roads and storm water	15653	0	0		0,00%	0,00%
	Other	16214	11700	1 7000		-100,00%	38,58%
Total		48346	49700	0		-300,00%	-74,66%
Percentage of expenditure							
	Water and sanitation	8,0%	70,4%	0,0%	31,4%	33,3%	75,9%
	Electricity	6,1%	6,0%	0,0%	2,7%	33,3%	75,8%
	Housing	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
	Roads and storm water	6,8%	0,0%	0,0%	32,4%	0,0%	0,0%
	Other	79,2%	23,5%	0,0%	33,5%	33,3%	-51,7%
T 5.6.1							

COMMENT ON SOURCES OF FUNDING:

Chapter 5

The municipality budgeted R49.7m in capital projects and spent 97% of the capital budget during the year under review.

T 5.6.1.1

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
Name of Project	2017-18			Variance: 2017-18	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - TURNKEY WATER PROJ-MK DUBE;	34674	34674	34674	72%	100%
B - ELUKW FIRE STATION & DISASTE	11000	11000	11000	86%	100%
C – DIEP Dale road	8 016	8 016	8 016	57%	100%
				57%	100%
<i>T 5.7.1</i>					

COMMENT ON CAPITAL PROJECTS:

The Municipality budgeted R49.2m on the top 4 capital projects. All projects were closely monitored and were on track at year end. There were no major challenges noted that could significantly affect progress.

T 5.7.1.1

5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

The historical backlogs in the provision of basic infrastructure for service delivery require that municipalities establish a delicate balance between delivering and improving current services, maintaining existing infrastructure, and extending infrastructure to eradicate the backlog in service delivery. CoGTA must ensure that municipalities in the Province are fully functional to enable the delivery of infrastructure and municipal services. This Chapter attempts to give an indication of the performance of the Municipality during the municipal financial year ended 30 June 2017.

Electricity

The backlog is mostly in the Eskom supply area. Connection costs remained high in the deep rural areas due to sparsely populated rural settlements; in some instances, Eskom delayed the energisation of connected households. Old and under-maintained infrastructure in municipal areas of supply remained a challenge. Recurring power outages during high demand season, especially in Silobela remained a challenge.

Chapter 5

Water

The main challenge for remained the provision of water in deep rural areas and areas outside the bulk water infrastructure. The Municipality continued to supply water to these settlements through boreholes and water tankers.

Sanitation

The Municipality had been providing VIP toilets to eradicate sanitation backlog. However, Province had since directed the Municipality to cease the sanitation technology especially in rural areas where there was no infrastructure. The Municipality has piloted Smartsan toilets as an alternative to VIP toilets.

T 5.8.1

Service Backlogs as at 30 June 2018				
	Households (HHs)			
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	51649	97%	1831	3%
Sanitation	47062	88%	6418	12%
Electricity	51307	88%	2173	4%
Waste management	8041	15%	45439	85%
Housing	48132	90%	5348	10%

% HHs are the service above/below minimum standard as a proportion of total HHs. 'Housing' refers to * formal and ** informal settlements.

T 5.8.2

Municipal Infrastructure Grant (MIG)* Expenditure 2018-19 on Service backlogs					
	R' 000				
Details	Budget	Adjustments Budget	Actual	Variance	
				Budget	Adjustments Budget
Infrastructure - Road transport					
Roads, Pavements & Bridges	8 043	8 04w3	8 043	0%	0%
Infrastructure - Electricity					
Generation	8 334	8334	8 334	0%	0%
Infrastructure - Water					
Water purification	34699	34 699	34 699	0%	0%
Sanitation	7 000	7000	7 000	0%	0%
Infrastructure - Other					
Waste Management	65 948	65 948	65 948	0%	0%
Total	124 024	124 024	124 024	0%	0%

T 5.8.3

Chapter 5

COMMENT ON BACKLOGS:

Backlog on provision of basic services has improved compared to prior year with a notable 7% increase in the provision of water services.

T 5.8.4

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

In terms of the MFMA (2003), a municipality must establish an appropriate an effective cash management and investment policy. Within this policy, a municipality must:

Conduct its cash management and investments; and

Invest money not immediately required.

Surplus cash refers to money that is not immediately required for expenditure; that surplus could include income from rates and services, rents, fines, grants, subsidies, levies, and interest earned on investments. The Finance Department reported quarterly to the Executive Mayor and the Finance Portfolio Committee in terms of MFMA (2003) S11, in order to assess the performance of the investment portfolio, and to ensure that the investments complied with policy objectives, guidelines, applicable laws, and regulations.

Cash flow management is critical to the sustainability of the Municipality as it enables the Municipality to assess whether sufficient cash is available to meet short-term and long-term obligations. Cash flow is managed and monitored on a daily and monthly basis.

T 5.9

Chapter 5

5.9 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	2017-18	Current: 2018-19		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Rate payers and other	34 254	55 922	54 823	46 745
Government - Capital and operating	388 152	388 394	398 894	411 181
Interest	36 068	12 733	19 730	5 045
Other receipts	14 370	33 712	56 749	9 785
Payments				
Employee costs	(174 630)	(297 929)	(343 741)	(181 693)
Suppliers	(197 344)	(496)	(496)	(194 239)
Finance charges	(150)	(1 477)	(1 477)	(1 266)
NET CASH FROM/(USED) OPERATING ACTIVITIES	100 719	190 859	184 482	95 559
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Purchases of PPE	(89 608)	–	940	(87 756)
Proceeds on disposal of PPE	820	–	–	–
Movement in operating lease	352	–	–	–
Movement in investments	(144)	–	–	(62 165)
Payments				
Capital assets	–	(146 283)	(138 756)	–
NET CASH FROM/(USED) INVESTING ACTIVITIES	(88 580)	(146 283)	(137 816)	(87 818)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Movement in provision	(1 484)	–	–	–
Finance lease payments	(977)	2	–	(3 468)
Payments				
Repayment of borrowing	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2 461)	2	–	(3 468)
NET INCREASE/ (DECREASE) IN CASH HELD	9 678	44 578	46 666	4 271
Cash/cash equivalents at the year begin:	1 961	1 963	1 963	11 639
Cash/cash equivalents at the year end:	11 639	46 541	48 629	15 911

Source: MBRR A7

T 5.9.1

Chapter 5

COMMENT ON CASH FLOW OUTCOMES:

The municipal cash flow has improved from a positive cash balance of R2m to an overdraft R12m. This represents an improvement of R10m (500%).

T 5.9.1.1

5.10 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

In terms of the MFMA (2003), a municipality may only borrow funds for the purpose of acquiring assets, or improving facilities or infrastructure to provide basic service delivery.

The Municipality did not make any borrowings in the 2017-18 financial year. However, the municipality had investments to the following unit trusts during the year under review: Investec, RMB Momentum, Corronation Strategic Income Fund, Stanlib and Sanlam Unit trust

T 5.10.1

5.11 PUBLIC PRIVATE PARTNERSHIPS

PUBLIC PRIVATE PARTNERSHIPS

A public-private partnership (PPP) is a contract between a government institution and a private party, where the private party performed an institutional function and/or used state property in terms of output specifications. Substantial project risk (financial, technical, and operational) is transferred to the private party, and the private party benefits through unitary payments from government budgets and/or user fees.

The Municipality did not have public-private partnerships during the year under review.

T 5.11.1

Chapter 5

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The Municipality's Supply Chain Management is fair, equitable, transparent, competitive and cost-effective as required by the Constitution (1996), S217. There is a Supply Chain Management policy in place. All awards were reported quarterly to Council and published on the municipal website. There were no Supply Chain official that have reached the prescribed levels required for their positions as set out in the MFMA Competency Regulation Guidelines.

T 5.12.1

5.13 GRAP COMPLIANCE

GRAP COMPLIANCE

The Municipality's Annual Financial Statements for the 2017-18 financial year was compiled in terms of the General Recognised Accounting Practice (GRAP).

In terms of MFMA (2003) section 83(1), the accounting officer, senior managers, chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the MFMA (2003).

The Municipality has signed a Memorandum of Understanding with Sebata Municipal Solutions for the implementation of MSCOA. A Steering Committee was appointed by the Accounting officer. The MSCOA was effective from the 1 July 2017.

T 5.13.1

Chapter 6

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

The Constitution (1996) Section 188(1)(b) stated that the functions of the Auditor-General included the auditing and reporting on the accounts, financial statements and financial management of all municipalities. The Local Government: Municipal Systems Act (2000) Section 45 stated that the results of performance measurement must be audited annually by the Auditor-General.

Section 121(3) of the MFMA required that the audit report be included in the annual report to be tabled. Every municipality must for each financial year prepare annual financial statements which fairly present the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year; and disclose the information required in terms of Sections 123, 124 and 125 of the MFMA."

The Annual Financial Statements, the timescale for the audit of those statements, and the production of reports on those matters by the Auditor-General were set out in this Volume.

This report was the final section of the Annual Report. It included the Auditor-General's Report with the audited financial statements, as well as the pre-determined objectives that were based on the Integrated Development Plan (IDP) of the Municipality and auctioned in the Basic Services Delivery and Budget Implementation Plan (SDBIP), signed by the Honourable Executive Mayor.

T 6.0.1

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR 2018/19

6.1 AUDITOR GENERAL REPORTS YEAR 2018/19

Auditor-General Report on Financial Performance 2018/19*	
Status of audit report:	Unqualified
Non-Compliance Issues	Remedial Action Taken
Annual financial statements and annual reports The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non- current assets, liabilities, revenue and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.	The Municipality developed an action plan that is updated on a monthly basis and get reviewed by the Internal Audit function.
Expenditure management Effective steps were not taken to prevent irregular expenditure amounting to R83 820 814 as disclosed in note 49 to the annual financial statements, as required by section 62(1) (d) of the MFMA and treasury regulation 9.1.1. The majority of the irregular expenditure was caused by MFMA procurement	The process to update the current Supply Chain Management policy is underway and it is planned during the budget process in the 3rd quarter.

Chapter 6

Auditor-General Report on Financial Performance 2018/19*	
Status of audit report:	Unqualified
process not followed, Local Content and Production not implemented and Bid Adjudication committee not complying with regulation 29(2). Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R18 118 784, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA and treasury regulation 9.1.1. The majority of the fruitless and wasteful expenditure was caused by interest and penalties paid.	Irregular, unauthorised, fruitless & wasteful expenditures if identified are disclosed and reported as such to MPAC for proper and thorough investigation and any recommendations by MPAC are implemented.
Asset management An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.	The Municipality had developed a Project Charter for the preparation of the Asset Register has been finalised. Ensure Asset Register is ready by the 31 July 2018. The review will be done by 30 June 2018
Budgets Effective steps were not taken to prevent unauthorised expenditure amounting to R57 478 201, as disclosed in note 54 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA and treasury regulation 9.1.1. The majority of the unauthorised expenditure was caused by overspending of the total amount appropriated in the municipality's approved budget, overspending of the total amount appropriated for a vote in the approved budget and expenditure from a vote unrelated to the department or functional area covered by the vote expenditure.	The process to update the current Supply Chain Management policy is underway and it is planned during the budget process in the 3rd quarter. Irregular, unauthorized, fruitless & wasteful expenditures if identified are disclosed and reported as such to MPAC for proper and thorough investigation and any recommendations by MPAC are implemented.
<i>Note: * The report's status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse).</i>	
T 6.2.1	

Auditor-General Report on Service Delivery Performance: 2018/19	
Status of audit report:	Disclaimer of opinion
Non-Compliance Issues	Remedial Action Taken
Various indicators I was unable to obtain sufficient appropriate evidence for 15 of the 18 indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternatives means. I was unable to determine whether any adjustments were required to the reported achievements of the following indicators.	The Municipality revised IDP and SDBIP and incorporated a performance management system. These documents were duly approved by council as part of mid-year budget adjustment.
Strategic planning and performance management A performance management system was not [established or adopted] as required by section 38(a) of the MSA and municipal planning and performance management regulation 8.	The Municipality revised IDP and SDBIP and incorporated a performance management system. These documents were duly approved by council as part of mid-year budget adjustment.

Chapter 6

Auditor-General Report on Service Delivery Performance: 2018/19	
The performance management system and related controls were not in place as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).	
T 6.2.2	

COMPONENT B: AUDITOR-GENERAL OPINION YEAR 2018/19

6.2 AUDITOR GENERAL REPORT 2018/19

Auditor-General Report on Financial Performance: 2018/19	
Audit Report Status*:	Unqualified
Non-Compliance Issues	Remedial Action Taken
Annual financial statements, performance report and annual reports The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	The Municipality developed an action plan that is updated on a monthly basis and get reviewed by the Internal Audit function.
Expenditure management Money owed by the municipality was not always paid within 30 days, as required by section 65(2) of the MFMA. Reasonable steps were not taken to prevent irregular expenditure amounting to R40 630 459, as disclosed in note 48 to the financial statements, as required by section 62(1)(d) of the MFMA. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R3 851 171, as disclosed in note 47 to the financial statements, in contravention of section 62(1)(d) of the MFMA. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R212 077, as disclosed in note 53 to the financial statements, in contravention of section 62(1)(d) of the MFMA.	The process to update the current Supply Chain Management policy is underway and it is planned during the budget process in the 3rd quarter. Irregular, unauthorized, fruitless & wasteful expenditures if identified are disclosed and reported as such to MPAC for proper and thorough investigation and any recommendations by MPAC are implemented.

Chapter 6

Revenue management Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.	Management will charger interest on all long outstanding debtors in order to comply with the Act.
Procurement and contract management Bid documentation for the procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by preferential procurement regulation 8(2) of 2017. Similar non-compliance was also reported in the prior year. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.	Management will update bid documents going forward to ensure that it is in compliance with procurement regulation.
Consequence management Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.	Investigation is being carried to ensure compliance with MFMA.
Note: *The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)	
T 6.1.1	

Auditor-General Report on Service Delivery Performance: 2018/19	
Status of audit report**:	Unqualified
Non-Compliance Issues	Remedial Action Taken
Not applicable	Not applicable
* This table will be completed prior to the publication of the Annual report but following the receipt of the Auditor- General Report on Service Delivery Performance Year 2018-2019 ** Inclusion of "Status" depends on nature of AG's remarks on Performance Data.	
T 6.2.2	

AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS: 2018-2019



AUDITOR-GENERAL
SOUTH AFRICA

The Accounting Officer
Chief Albert Luthuli Local Municipality
PO Box 24
Carolina
1185

30 November 2019

Reference: 02144REG18/19

Dear Sir

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Chief Albert Luthuli Local Municipality for the year ended 30 June 2019

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA)
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section [121(3)] of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

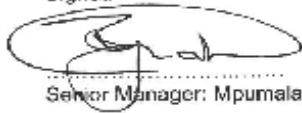
Chapter 6

6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed



Senior Manager: Mpumalanga Business Unit

Enquiries: Hlulani Nkwini
Telephone: (013) 756 0800
Fax: (013) 756 0879

Report of the auditor-general to the Mpumalanga Provincial Legislature and the council on the Chief Albert Luthuli Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Chief Albert Luthuli Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Chief Albert Luthuli Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and parts 1 and 3 of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Chapter 6

Restatement of corresponding figures

7. As disclosed in note 53 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Material impairments – trade debtors

8. As disclosed in note 4 to the financial statements, the receivables from exchange transactions balance was significantly impaired. The allowance for the impairment of receivables from exchange transactions amounted to R98 009 862 (2017-18: R91 106 112), which represented 63% (2017-18: 61%) of the total consumer debtors. The contribution to the provision for debt impairment was R8 903 750 (2017-18: R16 176 752).
9. As disclosed in note 5 to the financial statements, the receivables from non-exchange transactions balance was significantly impaired. The allowance for the impairment of receivables from non-exchange transactions amounted to R386 887 400 (2017-18: R282 031 727), which represented 65% (2017-18: 67%) of the total non-exchange receivables. The contribution to the provision for debt impairment was R94 801 824 (2017-18: R70 028 039).

Material losses – water

10. As disclosed in note 35 to the financial statements, water distribution losses of 4 237 285 (2017-18: 1 077 086) kilolitres were incurred, which represented 51% (2017-18: 15%) of the total water distributed.

Irregular expenditure

11. As disclosed in note 48 to the financial statements, the municipality incurred irregular expenditure of R39 431 149, as it did not follow proper procurement and contract management processes.

Fruitless and wasteful expenditure

12. As disclosed in note 47 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R1 361 933, as it did not always pay creditors on time resulting in interest charged on outstanding amounts.

Unauthorised expenditure

13. As disclosed in note 46 to the financial statements, the municipality incurred unauthorised expenditure of R25 430 440, as there was overspending on the approved budget.

Other matter

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Chapter 6

Unaudited disclosure notes

15. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
17. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

18. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

Chapter 6

21. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2019:

Objectives	Pages in the annual performance report
Strategic objective 5 – to ensure provision of basic services	xx – xx

23. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
24. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

Other matters

25. I draw attention to the matters below.

Achievement of planned targets

26. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a number of targets.

Adjustment of material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of strategic objective 5 – to ensure provision of basic services. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Chapter 6

Report on the audit of compliance with legislation

Introduction and scope

28. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

29. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance reports and annual reports

30. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

31. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

32. Reasonable steps were not taken to prevent irregular expenditure amounting to R39 431 148, as disclosed in note 48 to the financial statements, as required by section 62(1)(d) of the MFMA.

33. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 381 933, as disclosed in note 47 to the financial statements, in contravention of section 62(1)(d) of the MFMA.

34. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R25 430 435, as disclosed in note 46 to the financial statements, in contravention of section 62(1)(d) of the MFMA.

Procurement and contract management

35. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by supply chain management regulation 13(c).

36. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with Construction Industry Development Board regulations 17 and 25(7A). This non-compliance was identified in the procurement processes for the construction of conventional toilets.

Chapter 6

37. Some of the bid documentation for the procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by preferential procurement regulation 8(2) of 2017. Similar non-compliance was also reported in the prior year.
38. Some of the commodities designated for local content and production were procured from suppliers who did not submit a declaration on local production and content, as required by the Preferential Procurement Regulations of 2017.
39. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

Consequence management

40. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
41. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
42. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Other information

43. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that has been specifically reported on in this auditor's report.
44. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
45. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
46. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
47. I have nothing to report in this regard.

Chapter 6

Internal control deficiencies

48. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
49. There was insufficient oversight and monitoring of the implementation of internal controls during the year, resulting in material misstatements in the annual performance report as well as non-compliance with laws and regulations.
50. Adequate reviews of the supporting documents to the financial statements and annual performance report were not conducted.
51. Management did not implement adequate internal control mechanisms to prevent non-compliance with laws and regulations.
52. There was insufficient monitoring and oversight of the implementation of a sound internal control environment during the period under review.

Auditor-General

Mbombela

30 November 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Chapter 6

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for the selected objective and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Chapter 6

T 6.2.3

COMMENTS ON AUDITOR-GENERAL'S OPINION 2017-18:

The Municipality received an unqualified audit opinion for the 2017-18 financial year.

The Audit Strategy and the Engagement Letter were discussed with Management. The Municipality received the Audit Report on 30 November 2019, with only a few non-compliance matters that did not affect the audit opinion ranging from revenue management, expenditure management, procurement and contract management as well as consequence management.

T 6.2.4

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer)..... Dated

T 6.2.5

APPENDICES



VOLUME II



VOLUME II: ANNUAL FINANCIAL STATEMENTS



Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements
for the year ended 30 June 2019



APPENDICES

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Local Municipality
Municipal Demarcation Code	MP301
Executive Mayor	Nkosi DP
Speaker	Mngomezulu MW
Chief Whip	Masuku-Sidu L
Mayoral committee	<p>Magagula MP</p> <p>Nkosi SZ</p> <p>Makhubela NV</p> <p>Mrisi-Nkosi N</p>
Councillors	<p>Cindi NR</p> <p>Ghinda SV</p> <p>Dlodlu Z.M</p> <p>Lubede E.J</p> <p>Mbhele J.S</p> <p>Molaung R.M</p> <p>Mthombeni S.F</p> <p>Ngubeni A</p> <p>Nkosi A.D</p> <p>Nkosi G.J</p> <p>Nkosi J.S</p> <p>Nkosi V.L</p> <p>Shabangu L.D</p> <p>Nkosi TJ</p> <p>Sikhakhane N.B</p> <p>Sihlano J.D</p> <p>Thomo N.G</p> <p>Thabede MJ</p> <p>Mthembu MS</p> <p>Malaza MW</p> <p>Nkosi BG</p> <p>Ngwenya R.D</p> <p>Nkosi TS</p> <p>Shongwa JD</p> <p>Jele JJ</p> <p>Nhlabathi NC</p> <p>Khumalo MJ</p> <p>Mkwanazi HLZ</p> <p>Zulu GG</p> <p>Ngoma ZSG</p> <p>Van Der Walt L</p> <p>Ntane ML</p> <p>Matshaba ML</p> <p>Hlabathi PZ</p> <p>Zwane FC</p> <p>Nkobe JC</p> <p>Nkosi SP</p> <p>Zulu W</p>



APPENDICES

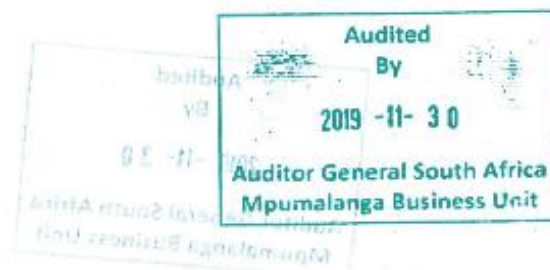
Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

General Information

	Mbuli TG Mnisi ST Khoza DP
Accounting Officer	MS Dlamini
Registered office	28 Kerk Street Carolina Mpumalanga 1185
Business address	28 Kerk Street Carolina Mpumalanga 1185
Postal address	Private Bag X24 Carolina 1185
Grading of Local Authority	Grade 3
Chief Financial Officer (CFO)	Mnisi MGT
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Attorneys	Guzana Attorneys Macbeth Nongwane Attorneys Mokoena Khulani Attorneys TMN Kgomo Attorneys Mohlala Attorneys



APPENDICES

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Statement of Financial Position	8
Statement of Financial Performance	8
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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
VAT	Value Added Tax
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Grant
WSIG	Water Service Infrastructure Grant
INEP	Integrated National Electrification Programme



Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

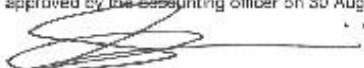
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 53, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed on by:


Accounting Officer
M.S. Dlamini



Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year four meetings were held.

Name of member	Number of meetings attended
Stanley Ngobeni (Professional Accountant, SA Tax Professional, RGA) (Chairperson)	4
Sanele Gumbi (MBA)	3
Siyakula Simelane CA(SA)	4
Tichoane Zororo (CIA, CISA, CISM, CRMA, CRISC, CGEIT, 1 COBIT Assessor)	1

Audit committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 66 issued by National Treasury. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The effectiveness of internal control

Our review of the internal control environment revealed that there has been a room for improvement in the system of internal control of the municipality and reducing qualification issues of previous year. Furthermore, there are several deficiencies in the system of internal control and/or deviations there were recorded by the internal auditors and the Auditor-General. However, the Audit Committee notes management's commitment and action plan to correct deficiencies.

In-Year Management and Monthly/Quarterly Report

The municipality does have an effective monthly and quarterly reporting system to the Council as required by the Municipal Finance Management Act (MFMA).

Performance management

The audit committee reviewed functionality of the performance management system and it appears to be somewhat functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

Internal audit

The audit committee is satisfied with the effectiveness of Internal Audit, and recommend that Management and Council should capacitating this unit.

Risk management

The audit committee is of the opinion that municipality's risk management appears to be effective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies. Management has no sound and effective approach has been followed in developing strategic risk management plans and there is a sense of appreciation of the impact of the municipality's risk management framework on the control environment. There is a room for improvement in so far as fraud prevention.

Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by Audit Committee, AGSA, and Internal Audit during the year. Thus there is a room for improvement in so far as establishing an effective system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Audit Committee Report

Progress in Implementation of AGSA findings from prior year

AGSA recommendations were not fully implemented by management at the time of this report. There is a room for improvement in this regard and the audit committee recommended to the municipality to prioritise the implementation of recommendations by AGSA.

Progress on Implementations of Internal audit recommendations

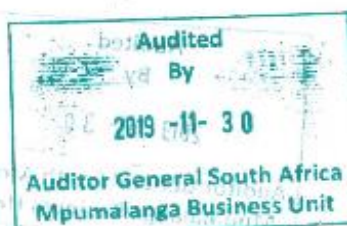
A material number of internal audit recommendations were implemented by management. There is a room for improvement in this regard and thus, audit committee recommended to municipality to prioritise the implementation of recommendations by Internal Audit.

Implementations of Audit Committee Recommendations by management

A material number of Audit committee recommendations to management were implemented. There is a room for improvement in this regard and thus, audit committee recommended to municipality to fast track the implementation of recommendations by Audit Committee.

Conclusion

The Audit and Risk Committee wishes to acknowledge the commitment from Council, management and staff of the municipality. The stability in terms of the political and administrative leadership of the municipality has contributed to these improvements report above. We would also like to thank the Executive Mayor for his support, Councillors, senior management for their efforts and internal audit for their contribution.



Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 1,211,296,882 and that the municipality's total assets exceed its liabilities by R 1,295,897,345.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance other than arson at the Sibobela building that was burnt down and legal action claim lodged by EPH Security & Services CC (Plaintiff) against the Municipality. The claims emanates from the contract ALMT 12/2015, whereby the plaintiff alleges that the Municipality did not honour its contractual obligation in terms of the contract.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
MS Dlamini

Nationality
South African



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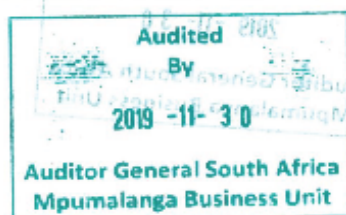
Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Cash and cash equivalents	3	15,911,968	11,640,553
Receivables from exchange transactions	4	57,379,495	58,712,776
Receivables from non-exchange transactions	5	187,058,801	138,432,756
Inventories	6	3,608,678	3,582,735
Investments	7	3,988,516	3,685,056
VAT receivable	51	23,139,991	24,314,779
Operating lease asset	8	200,969	283,134
		301,299,418	241,631,789
Non-Current Assets			
Investments	7	384,683	357,325
Investment property	9	35,237,000	52,904,840
Property, plant and equipment	10	1,276,981,948	1,090,986,744
		1,312,603,631	1,144,248,909
Total Assets		1,613,903,049	1,385,880,698
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	206,807,570	186,798,902
Finance lease obligation	12	4,353,604	1,133,200
Unspent conditional grants and receipts	13	857,134	857,134
Provisions	14	11,689,912	11,292,783
		223,708,220	200,082,019
Non-Current Liabilities			
Finance lease obligation	12	5,123,162	1,406,075
Provisions	14	59,715,888	57,529,053
Employee benefit obligation	15	10,681,463	9,283,901
Long service award	16	6,666,951	7,784,710
		84,197,464	76,003,739
Total Liabilities		317,905,704	276,085,758
Net Assets		1,295,997,345	1,109,794,940
Accumulated surplus		1,211,298,882	1,025,094,477
Reserves			
Revaluation reserve	17	84,700,463	84,700,463
Total Net Assets		1,295,997,345	1,109,794,940



APPENDICES

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Service charges	19	51,758,478	62,663,362
Rental Income	20	1,296,866	1,176,541
Interest received - consumers	21	53,072,151	33,407,122
Licences and permits	23	31,438	2,745
Other Income	24	2,069,988	3,097,490
Gains on disposal of assets	18	-	554,057
Interest received - investment	25	3,476,722	2,660,776
Total revenue from exchange transactions		111,705,472	103,562,083
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	102,113,531	69,082,062
Transfer revenue			
Government grants & subsidies	27	411,182,203	388,376,893
Donations	28	134,854,750	10,000
Fines	22	6,387,004	10,063,166
Total revenue from non-exchange transactions		654,537,488	467,552,110
Total revenue	16	766,242,960	571,114,193
Expenditure			
Employee related costs	29	(185,876,307)	(159,913,775)
Remuneration of councillors	30	(18,504,603)	(18,555,372)
Depreciation and amortisation	31	(48,476,425)	(43,537,995)
Finance costs	32	(11,868,189)	(27,104,634)
Debt Impairment	34	(102,220,049)	(70,028,039)
Bad debts written off		-	-
Bulk purchases	35	(73,515,475)	(38,735,760)
Contracted services	36	(40,345,947)	(40,686,765)
Fair value adjustments	38	(17,667,840)	-
General Expenses	37	(101,535,672)	(55,801,356)
Repairs and maintenance		-	(15,372,938)
Total expenditure		(580,040,506)	(468,136,716)
Surplus for the year		186,202,455	102,977,686



Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	84,700,463	842,414,155	1,027,114,601
Adjustments			
Correction of errors	-	(19,660,735)	(19,660,735)
Balance at 01 July 2017 as restated*	84,700,463	922,753,403	1,007,453,866
Changes in net assets			
Surplus for the year	-	102,341,074	102,341,074
Total changes	-	102,341,074	102,341,074
Balance at 01 July 2018	84,700,463	1,025,094,427	1,109,794,890
Changes in net assets			
Surplus for the year	-	166,202,455	166,202,455
Total changes	-	166,202,455	166,202,455
Balance at 30 June 2019	84,700,463	1,211,296,882	1,295,997,345
Note(s)	17		



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Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Service charges		46,745,719	34,253,527
Government grants and subsidies		411,182,203	388,151,689
Interest received - investments		3,381,534	2,060,776
Interest income - consumers		1,064,628	33,407,122
Other receipts		9,765,125	14,569,941
		472,759,209	472,643,035
Payments			
Employee related costs		(181,693,958)	(174,629,622)
Suppliers		(194,238,578)	(187,344,012)
Finance costs		(1,288,594)	(150,443)
		(377,200,130)	(372,124,077)
Net cash flows from operating activities	40	95,559,079	100,718,958
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(87,756,576)	(89,607,628)
Proceeds from sale of property, plant and equipment	10	-	820,203
Movement in operating lease asset		(62,165)	351,606
Movement in Investments		-	(143,947)
Net cash flows from investing activities		(87,818,741)	(88,579,767)
Cash flows from financing activities			
Movement in provision		-	(1,483,925)
Finance lease payments		(3,468,923)	(977,433)
Net cash flows from financing activities		(3,468,923)	(2,461,359)
Net increase/(decrease) in cash and cash equivalents		4,271,415	9,677,832
Cash and cash equivalents at the beginning of the year		11,640,553	1,962,721
Cash and cash equivalents at the end of the year	3	15,911,968	11,640,553

Audited
By
2019 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

APPENDICES

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	51,493,711	(355,171)	51,138,540	51,758,478	619,938	
Rental income	1,052,310	(525,674)	516,536	1,299,695	780,069	
Interest received- consumers	19,623,291	17,059,000	36,712,291	53,072,151	16,359,860	
Licences and permits	-	-	-	31,438	31,438	
Other income	8,398,804	(2,960,615)	5,438,189	2,069,888	(3,368,201)	
Interest received - investment	-	-	-	3,478,722	3,478,722	
Total revenue from exchange transactions	80,568,116	13,237,540	93,805,656	111,705,472	17,899,816	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	87,467,235	5,066,200	93,153,435	102,713,531	8,960,096	
Licences and Permits (Non-exchange)	2,106	(2,106)	-	-	-	
Interest, Dividends and Rent on Land	10,844,887	-	10,844,887	-	(10,844,887)	
Transfer revenue						
Government grants & subsidies	410,833,000	16,677,000	394,156,000	411,192,203	17,026,203	
Public contributions and donations	-	-	-	134,854,750	134,854,750	
Fines, Penalties and Forfeits	163,049	4,302,400	4,965,449	6,387,004	1,421,555	
Total revenue from non-exchange transactions	598,310,277	(6,190,506)	603,119,771	654,537,488	151,417,717	
Total revenue	589,878,393	7,047,034	596,925,427	766,242,960	169,317,533	
Expenditure						
Personnel	(156,799,137)	-	(156,799,137)	(185,876,307)	(9,077,170)	
Remuneration of councillors	(26,357,173)	-	(26,357,173)	(18,504,803)	7,852,370	
Depreciation and amortisation	(41,220,501)	-	(41,220,501)	(46,476,425)	(7,255,924)	
Finance costs	-	-	-	(11,898,189)	(11,898,189)	
Lease rentals on operating lease	(2,399,645)	1,000,000	(1,399,645)	-	1,399,645	
Debt Impairment	-	-	-	(102,220,049)	(102,220,049)	
Bad debts written off	(51,538,612)	-	(51,538,612)	(185,734)	51,352,878	
Bulk purchases	(86,075,510)	(20,000,000)	(86,075,510)	(73,515,473)	12,560,037	
Contracted Services	(67,200,244)	3,992,414	(63,207,830)	(40,345,947)	22,861,883	
Transfers and Subsidies	(135,711,131)	(135,711,131)	(271,422,262)	-	271,422,262	
Sale of goods/inventory	(8,661,322)	-	(8,661,322)	-	8,661,322	
General Expenses	(33,563,682)	1,628,476	(31,935,206)	(101,349,938)	(69,414,732)	
Total expenditure	(589,556,967)	(149,090,241)	(738,647,198)	(562,372,666)	176,274,533	
Operating surplus	321,436	(142,043,207)	(141,721,771)	203,870,295	345,592,066	
Fair value adjustments	-	-	-	(17,667,840)	(17,667,840)	
Surplus before taxation	321,436	(142,043,207)	(141,721,771)	186,202,455	327,924,226	

APPENDICES

Chief Albert Luthuli Local Municipality

(Registration number MP501)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	321,436	(142,043,207)	(141,721,771)	186,202,455	327,924,228	

Reconciliation



APPENDICES

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	3,608,678	3,608,678	
Investments	-	-	-	3,998,516	3,998,516	
Operating lease asset	-	-	-	200,969	200,969	
Receivables from non-exchange transactions	-	-	-	197,059,801	197,059,801	
VAT receivable	-	-	-	23,139,991	23,139,991	
Consumer debtors	-	-	-	57,379,495	57,379,495	
Cash and cash equivalents	-	-	-	15,911,988	15,911,968	
	-	-	-	301,299,418	301,299,418	
Non-Current Assets						
Investment property	-	-	-	35,237,000	35,237,000	
Property, plant and equipment	-	-	-	1,276,981,948	1,276,981,948	
Investments	-	-	-	384,683	384,683	
	-	-	-	1,312,603,631	1,312,603,631	
Total Assets	-	-	-	1,613,903,049	1,613,903,049	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	4,353,604	4,353,604	
Payables from exchange transactions	-	-	-	206,807,570	206,807,570	
Unspent conditional grants and receipts	-	-	-	857,134	857,134	
Provisions	-	-	-	11,889,912	11,889,912	
	-	-	-	223,708,220	223,708,220	
Non-Current Liabilities						
Finance lease obligation	-	-	-	5,123,162	5,123,162	
Employee benefit obligation	-	-	-	10,691,483	10,691,483	
Provisions	-	-	-	69,715,888	69,715,888	
Long Service Award	-	-	-	8,666,951	8,666,951	
	-	-	-	94,197,484	94,197,484	
Total Liabilities	-	-	-	317,905,704	317,905,704	
Net Assets	-	-	-	1,295,997,345	1,295,997,345	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	84,700,464	84,700,464	
Accumulated surplus	-	-	-	1,211,296,881	1,211,296,881	
Total Net Assets	-	-	-	1,295,997,345	1,295,997,345	

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables, is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances on the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value to the tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the government bond rate to discount future cash flows except where stated otherwise.

Allowance for doubtful debts

For receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

When investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.



Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value, refer to note 8.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature and type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to acquire and maintain investment property in the notes to the annual financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment and will be transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10 - 50 years
Landfill site	Straight line	0-100
Infrastructure	Straight line	15 - 60 years
Community	Straight line	10 - 50 years
Other property, plant and equipment	Straight line	2 - 35 years
• Vehicles		
• - Furniture		
• - Leased assets		

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 39) "General Expenses".

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessional loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unfixed capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Financial instruments (continued)

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Cash and cash equivalents
Receivables from exchange
Other financial assets
Receivables from non-exchange

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Trade payables

Category

Financial liability measured at amortised cost

The municipality has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value;
- Financial instruments at amortised cost;
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on a financial asset with a contractual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity
 - derecognise the asset, and
 - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented on the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water is regarded as inventories when the municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in water dams under control of the municipality, that are filled by natural resources and that has not yet been treated, cannot be measured reliably as there is no cost attached to the water, and is therefore not recognised as inventories.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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1.8 Impairment of cash-generating assets (continued)

Recognition and measurement (Individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

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1.9 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an 'optimised' basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.9 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Employee benefits

Short-term employee benefits

Short-term employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

Wages, salaries and social security contributions. Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related service. Bonus and performance related payments payable within twelve months after the end of the reporting period in which employees render the related service and non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The municipality recognise the expected cost of bonus and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made.

A present obligation exists when the municipality has no realistic alternative but to make the payments.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.10 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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1.11 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.8 and 1.9.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

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1.11 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on municipalities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.12 Discontinued operations

Discontinued operation is a component of the municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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1.14 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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1.15 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue, is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exists in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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1.17 Service concession arrangements : Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator
- is provided by the grantor (municipality) which:
 - is an existing asset of the municipality; or
 - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services.

If not, the service component of payments is determined using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes

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1.19 Unauthorised expenditure (continued)

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1995) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.



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1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.24 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 41.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.26 Budget Information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.30 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Expenses are recognised as when they satisfy the definitions and recognition criteria for those elements in the Framework for the Preparation and Presentation of Financial Statements.



Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

2. New standards and interpretations

2.1 Standards and Interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> IGRAP 19: Liabilities to Pay Levies 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 12 (as amended 2018): Inventories 	01 April 2018	
<ul style="list-style-type: none"> GRAP 16 (as amended 2016): Investment Property 	01 April 2018	
<ul style="list-style-type: none"> GRAP 17 (as amended 2016): Property, Plant and Equipment 	01 April 2018	
<ul style="list-style-type: none"> GRAP 21 (as amended 2016): Impairment of non-cash-generating assets 	01 April 2018	
<ul style="list-style-type: none"> GRAP 26 (as amended 2016): Impairment of cash-generating assets 	01 April 2018	
<ul style="list-style-type: none"> GRAP 27 (as amended 2016): Agriculture 	01 April 2018	
<ul style="list-style-type: none"> GRAP 31 (as amended 2016): Intangible Assets 	01 April 2018	
<ul style="list-style-type: none"> GRAP 103 (as amended 2016): Heritage Assets 	01 April 2018	
<ul style="list-style-type: none"> Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities 	01 April 2018	

2.2 Standards and interpretations Issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 34: Separate Financial Statements 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 35: Consolidated Financial Statements 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 38: Investments in Associates and Joint Ventures 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 37: Joint Arrangements 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 39: Disclosure of Interests in Other Entities 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 110: Living and Non-living Resources 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 110 (as amended 2016): Living and Non-living Resources 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 5 (as revised 2010): Consolidated and Separate Financial Statements 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 7 (as revised 2010): Investments in Associates 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 8 (as revised 2010): Interests in Joint Ventures 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 18 (as amended 2016): Segment Reporting 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 20: Related parties 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 32: Service Concession Arrangements: Grantor 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 105: Transfers of functions between entities under common control 	01 April 2019	Unlikely there will be a material impact

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact



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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,852	1,277
Bank balances	8,300,824	4,074,758
Call accounts	7,708,192	7,584,517
	15,911,968	11,640,553

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Standard Bank - Account Type - 033-255-654	8,052,619	4,046,685	378,383	-	-	378,383
Standard bank - Investment Account type - 038478855-002	2,300,868	8,524	241,073	2,300,868	-	241,073
Standard Bank - Investment Account - 308854552-001	4,018,712	-	1,341,647	4,018,712	-	1,341,647
Standard bank - Investment - Account Type - 038478866-003	292,540	6,629,961	-	292,540	6,629,961	-
Standard bank - Investment - Account Type - 038478866-004	7,085,039	851,092	-	7,085,039	851,092	-
Standard bank - Cheque Account - 31686648	146,852	28,075	-	146,852	28,075	-
Total	15,808,760	11,565,277	1,961,103	7,857,141	7,609,128	1,961,103

4. Receivables from exchange transactions

Gross balances		
Consumer debtors - Electricity	18,406,154	14,099,976
Water	16,915,199	15,562,863
Sewerage	60,553,188	51,204,114
Refuse	52,242,407	42,823,251
Magoveri	1,485,294	1,485,294
Shafadi	918,559	918,559
Other	4,856,456	23,724,729
	155,369,357	149,818,888
Less: Allowance for impairment		
Electricity	(11,793,539)	(7,443,137)
Water	(10,835,699)	(8,587,824)
Sewerage	(38,793,532)	(34,458,107)
Refuse	(32,468,302)	(26,008,845)
Other	(3,117,789)	(14,809,199)
	(98,009,861)	(91,106,112)

Chief Albert Luthuli Local Municipality

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Figures in Rand

	2019	2018
4. Receivables from exchange transactions (continued)		
Net balance		
Electricity		
Water	6,614,614	6,656,841
Sewerage	6,079,500	8,975,039
Refuse	21,759,556	16,748,007
Magoveni	18,773,106	14,513,406
Shatadi	1,485,294	1,485,294
Other	918,659	918,659
	1,746,657	9,116,630
	57,379,486	58,712,776
Electricity		
Current (0-30 days)	3,015,348	2,071,232
31 - 60 days	889,502	1,177,667
61 - 90 days	614,103	1,442,176
91 - 120 days	13,783,539	9,406,904
Less: Allowance for impairment	(11,793,535)	(7,443,136)
	6,614,614	6,656,841
Water		
Current (0-30 days)	1,704,343	4,801,559
31 - 60 days	626,286	367,089
61 - 90 days	975,129	302,713
91 - 120 days	13,608,440	6,991,522
Less: Allowance for impairment	(10,835,599)	(6,587,824)
	6,079,500	8,975,039
Sewerage		
Current (0-30 days)	2,415,258	906,395
31 - 60 days	953,107	759,646
61 - 90 days	948,585	716,492
91 - 120 days	56,221,610	48,822,380
Less: Allowance for impairment	(38,793,532)	(34,456,107)
	21,759,556	16,748,007
Refuse		
Current (0-30 days)	2,242,028	911,138
31 - 60 days	896,618	803,695
61 - 90 days	891,150	784,269
91 - 120 days	48,209,610	40,344,149
Less: Allowance for impairment	(33,469,302)	(28,008,645)
	18,773,105	14,813,406
Magoveni		
> 365 days	1,485,294	1,485,294
Shatadi		
> 365 days	918,659	918,659

Chief Albert Luthuli Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
4. Receivables from exchange transactions (continued)		
Other (specify)		
Current (0 - 30 days)	335,254	585,013
31 - 60 days	146,577	497,825
61 - 90 days	145,542	487,787
91 - 120 days	4,238,584	22,153,124
Less: Allowance for impairment	(3,117,755)	(14,605,199)
	1,748,667	9,115,530
Reconciliation of allowance for impairment		
Balance at beginning of the year	91,105,112	74,929,360
Contributions to allowance	6,903,750	16,176,752
	98,009,862	91,106,112
Consumer debtors pledged as security		
None of the consumer receivables were pledged as security.		
Credit quality of consumer debtors		
The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
Consumer debtors impaired		
As of 30 June 2019, consumer debtors of R98 009 862 (2018: R91 106 112) were impaired and provided for.		
The amount of the provision for the year ended 30 June 2019 was R6 903 750 (2018: R16 176 752)		
5. Receivables from Non-Exchange Transactions		
Gross balances		
Consumer debtors - Rates	545,548,519	399,549,558
Traffic Fines	37,758,238	32,505,708
Staff Debtors	309,717	2,520,089
	583,948,674	433,474,855
Less: Allowance for impairment		
Consumer debtors - Rates	(349,707,827)	(261,809,647)
Traffic fines	(37,178,573)	(30,222,080)
	(386,887,400)	(292,031,727)
Net balance		
Consumer debtors - Rates	196,141,384	136,639,405
Staff debtors	309,717	309,717
Traffic fines	608,582	2,283,826
	197,059,683	139,432,750

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Figures in Rand	2019	2018
5. Receivables from Non-Exchange Transactions (continued)		
Properly rates		
Current (0 - 30 days)	29,436,171	12,879,933
31 - 60 days	15,747,287	8,225,852
61 - 90 days	13,935,875	8,010,854
91 - 120 days	486,728,866	366,532,819
Less: Allowance for impairment	(349,707,827)	(261,808,652)
	196,141,384	136,839,406
Staff debtor		
91 - 120 days	309,717	309,717
Traffic Fines		
Current (0 - 30 days)	91,237	237,485
31 - 60 days	84,389	136,175
61 - 90 days	63,334	112,360
91 - 120 days	37,544,322	32,019,668
Less: Allowance for impairment	(37,179,572)	(30,222,090)
	603,709	2,283,628



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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Receivables from Non-Exchange Transactions (continued)		
Summary of receivables by customer classification		
Consumers		
Current (0 - 30 days)	28,343,021	8,778,616
31 - 60 days	13,566,619	7,478,234
61 - 90 days	12,637,309	7,588,860
91 - 120 days	519,306,536	587,377,504
	573,853,765	411,234,244
Less: Allowance for impairment	(124,524,868)	(311,006,223)
	149,358,917	100,228,021
Industrial/ commercial		
Current (0 - 30 days)	2,558,598	2,640,702
31 - 60 days	1,281,328	1,859,170
61 - 90 days	1,064,444	1,554,519
91 - 120 days	26,448,269	49,581,344
	31,352,639	55,415,735
Less: Allowance for impairment	(23,192,820)	(41,909,540)
	8,159,839	13,506,195
National and provincial government		
Current (0 - 30 days)	5,244,842	10,823,047
31 - 60 days	4,394,442	2,893,649
61 - 90 days	3,808,030	2,569,662
91 - 120 days	77,143,286	55,666,049
	93,591,600	71,752,307
Total		
Current (0 - 30 days)	38,237,698	22,479,849
31 - 60 days	18,356,778	11,968,128
61 - 90 days	17,510,783	11,723,072
91 - 120 days	663,033,120	527,647,951
	739,138,379	573,819,000
Less: Allowance for impairment	(484,897,261)	(393,137,844)
	254,241,118	190,681,156
Total		
Current (0 - 30 days)	29,525,822	13,117,418
31 - 60 days	15,851,886	8,362,027
61 - 90 days	13,998,209	8,123,034
91 - 120 days	526,864,577	404,575,873
	586,240,494	434,178,352
Less: Allowance for impairment	(386,887,399)	(292,031,732)
	199,353,095	142,146,620



Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

5. Receivables from Non-Exchange Transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(383,137,844)	(313,109,806)
Contributions to allowance	(54,801,924)	(70,028,039)
	(484,897,261)	(383,137,844)

Receivables from non-exchange transactions pledged as security

None of the receivables were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The municipality does not hold any collateral as security.

Receivables from non-exchange transactions impaired

As of 30 June 2019, receivables from non-exchange transactions of R388 887 400 (2018: R292 031 727) were impaired and provided for.

The amount of the provision for the year ended 30 June 2019 was R187 053 224 (2018: R139 432 750)

6. Inventories

Consumables	3,494,404	3,457,929
Water	114,274	124,608
	3,608,678	3,582,735

Reconciliation of inventory movement

Opening balance	3,582,735	2,972,962
Purchases	764,951	781,153
Utilised	(739,018)	(171,380)
	3,608,678	3,582,735

Inventory pledged as security

At year end no inventory has been pledged as security.

7. Investments

Designated at amortised cost

RMB Momentum - Account number RU 600434741	276,246	256,948
Sanlam - Guarantee Capital Fund - Policy number 9921774X7	108,438	100,377
End date: cover at death		
Stanlib Classic Investment Plan - Account number IP0006247	883,148	616,046
Terms and conditions		
Stanlib Extra Income Fund - Account number IP0006247	2,300,375	2,141,144
Terms and conditions		
	3,348,205	3,114,515

Listed Investments at amortised cost

Listed shares	1,034,994	927,866
	1,034,994	927,866

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Investments (continued)		
Impairments	-	-
	1,034,994	927,866
Total other financial assets	4,383,199	4,042,381
Non-current assets		
At amortised cost	384,683	357,325
Current assets		
At amortised cost	2,963,522	2,757,190
Listed investment at fair value	1,034,964	927,866
	3,998,516	3,685,056

Financial assets at fair value

Fair value information

Listed shares are carried at fair value:

The municipality owns 13 242 shares in Sanlam Limited which was trading at R75.16 (2018: R70.07) per share at each reporting period.

None of the financial assets that are fully performing have been renegotiated in the last year.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Credit quality of investments

The credit quality of financial assets are neither past nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

8. Operating lease asset

Current assets	200,989	263,134
	200,989	263,134

At the reporting the municipality has outstanding commitments under operating leases which fall due as follows:

Operating lease as lessor		
Within in one year	105,840	125,713
In the second to fifth year	92,129	139,421
	200,969	263,134

Operating lease asset represent rentals receivable by municipality for premise/properties rented out. The lease was negotiated for periods ranging from 2 months to 119 months. The rentals escalate on average between 5% and 10% per annum.

Chief Albert Luthuli Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	35,237,000	-	35,237,000	52,904,840	-	52,904,840

Reconciliation of investment property - 2019

Investment property

Reconciliation of investment property - 2018

Investment property

Pledged as security

At year end no investment property has been pledged as security:

Details of property

Investment properties mainly consists of industrial and residential units.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Audited
By
2019-11-30
Auditor General South Africa
Mpumalanga Business Unit

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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9. Investment property (continued)

Details of valuation

The valuations were performed by an independent valuer, Valuers Afrika, who are not connected to the municipality. This valuation was based on the market value for existing use.

Amounts recognised in surplus and deficit for the year.

Investment property located in (a foreign country: specify) is governed by that country's exchange controls and therefore the rental income and proceeds from any sale of that investment property are not available to the municipality:

Rental revenue in surplus and deficit for the year	1,266,594	1,035,993
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Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	115 551 700	-	115 551 700	115 551 700	-	115 551 700
Buildings	8 386 715	(3 561 303)	4 825 412	8 386 715	(3 117 402)	5 269 313
Infrastructure	1 545 880 902	(668 537 267)	877 343 635	1 545 880 902	(628 877 172)	917 003 730
Community	82 658 500	(14 903 677)	67 754 823	82 658 500	(11 950 772)	70 709 272
Infrastructure - work in progress	57 723 765	-	57 723 765	57 723 765	-	57 723 765
Landfill site	43 886 908	(10 115 673)	33 771 235	43 886 908	(8 389 831)	35 497 077
Other property, plant and equipment	37 811 237	(18 077 457)	19 733 780	37 811 237	(14 150 146)	23 661 091
Total	1 992 277 325	(715 236 377)	1 277 040 948	1 992 277 325	(667 226 413)	1 325 050 912

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	115 551 700	-	-	-	-	-	-	115 551 700
Buildings	5 249 223	-	-	-	-	(308 685)	(137 226)	4 840 538
Infrastructure	914 255 213	-	-	-	-	(57 851 401)	(1 728 664)	856 403 812
Community	62 464 844	-	-	-	-	12 513 083	(400 242)	74 977 685
Work in progress	57 723 765	91 040 830	-	-	(122 853 015)	-	-	26 911 580
Landfill site	33 357 898	2 297 076	-	-	-	(1 725 942)	-	33 929 032
Other property, plant and equipment	11 372 835	8 141 034	(52 867)	4 006 030	-	(3 438 366)	(294 957)	19 733 780
Total	1 090 986 744	102 225 060	(52 867)	132 299 436	-	(45 915 306)	(2 561 119)	1 277 040 948

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	115 551 700	-	-	-	-	-	-	-	115 551 700
Buildings	5 555 292	-	-	-	-	-	(306 089)	-	5 249 203
Infrastructure	691 664 864	9 222 520	-	(34 689)	10 455 871	-	(38 821 774)	(231 720)	574 255 213
Community	49 918 645	508 083	-	-	13 971 201	-	(1 831 095)	-	62 464 844
Infrastructure work in progress	134 494 288	78 667 416	-	-	-	(24 426 872)	-	-	188 734 830
Landfill site	35 070 113	-	-	-	-	-	(1 721 114)	-	33 349 000
Other property, plant and equipment	13 215 328	1 211 599	(231 988)	-	-	-	(2 675 681)	(146 323)	11 377 935
	1 045 479 048	89 607 628	(231 988)	(34 168)	24 426 872	(24 426 872)	(43 465 733)	(378 043)	1 090 986 744

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

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2019

2018

10. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was 30 June 2018. Revaluations were performed by independent valuer, Valuers Afrika. Valuers Afrika is not connected to the municipality.

These assumptions were based on current market conditions.

Change in estimate

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful life expectations of some asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate. The effect of this revision is a decrease in the depreciation charges for the current period of 2019 R. (2018: 843 125).

Details of property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Reconciliation of Work-In-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	172,208,741	16,490,929	188,699,670
Additions/capital expenditure	74,843,014	17,003,936	91,846,950
Transferred to completed items	(14,354,709)	(8,503,304)	(22,858,013)
	132,697,046	24,991,561	157,688,607

Reconciliation of Work-In-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	119,660,315	14,833,968	134,494,284
Additions/capital expenditure	63,004,087	15,628,161	78,632,258
Transferred to completed items	(10,455,671)	(13,971,201)	(24,426,872)
	172,208,741	16,490,929	188,699,670

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment Included in Statement of Financial Performance

Infrastructure assets	-	13,784,136
Office furniture, equipment and tools	-	1,319,566
	-	15,103,702

Chief Albert Luthuli Local Municipality

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Figures in Rand	2019	2018
11. Payables from exchange transactions		
Trade payables	137,478,051	135,592,116
Retentions	40,738,509	29,576,037
Payroll accruals- 13th Cheque	2,950,315	2,770,573
Accrued expense 2	-	-
Consumer deposits	467,613	468,957
1% social responsibility	8,734,544	7,773,784
Other payables	-	894,394
Income received in advance	14,153,297	7,847,801
Unallocated deposits	2,285,241	2,285,240
	208,807,570	186,798,902

Consumer deposits

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

12. Finance lease obligation

Minimum lease payments due		
- within one year	5,090,423	1,324,383
- in second to fifth year inclusive	5,504,777	1,467,574
less: future finance charges	10,585,200	2,812,057
	(1,108,435)	(272,782)
Present value of minimum lease payments	9,476,766	2,539,275
Present value of minimum lease payments due		
- within one year	4,353,604	1,133,200
- in second to fifth year inclusive	5,123,162	1,406,075
	9,476,766	2,539,275
Non-current liabilities	5,123,162	1,406,075
Current liabilities	4,353,604	1,133,200
	9,476,766	2,539,275

The average lease term is 3 years and the average effective borrowing rate is the prime rate. Interest rates are fixed at the contract date.

Some leases have fixed repayment terms and others escalate. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Human settlement	357,432	357,432
Department of Local Government and Traditional Affairs	228,831	228,831
Department of Arts and Culture	199,666	199,666
LO SETA Grants	71,205	71,205
	857,134	857,134

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Figures in Rand	2019	2018
13. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	857,134	1,052,359
Additions during the year	132,248,202	133,903,179
Income recognition during the year	(132,248,202)	(134,128,403)
	857,134	857,134

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.



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14. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Provision for rehabilitation	57,529,053	12,186,835	69,715,888
Legal proceedings	171,219	-	171,219
Leave	11,121,564	397,129	11,518,693
	68,821,836	12,583,964	81,405,800

Reconciliation of provisions - 2018

	Opening Balance	Additions	Change in discount factor	Total
Provision for rehabilitation	30,574,867	-	26,954,188	57,529,053
Legal proceedings	171,219	-	-	171,219
Leave	9,838,421	1,283,143	-	11,121,564
	40,584,507	1,283,143	26,954,186	68,821,836

Non-current liabilities			69,715,888	57,529,053
Current liabilities			11,689,912	11,282,783
			81,405,800	68,821,836

Provision for rehabilitation

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 61.

The municipality engages in waste disposal operations from residential and business areas within the following areas:

- eMarzana
- Carolina
- Ekulindeni
- Eukwalini
- Empuluzi

It is required from the municipality to execute an environmental management programme to restore the landfill sites after its useful life. As such an assessment is required in order to calculate the landfill closure provision liability.

This assessment was performed using the General Landfill Closure Costing Model (GLCCM) that was developed by Mr Seakhe

Godechalk Pr Sci Nat, GIMFO and Dr Maryna Mohr-Swart, both partners in Environmental & Sustainability Solutions (ESS). ESS has developed the GLCCM to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being

updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different

landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill

Chief Albert Luthuli Local Municipality

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14. Provisions (continued)

of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .48 of GRAP 19 or paragraph 36 of IAS 37.

The liability calculated using the GLCCM includes costs associated with:

- Pre-closure planning and approvals (four cost elements)
- Final rehabilitation and closure (seven cost elements)
- 30 years post-closure monitoring (seven cost elements)

Between 2011 and 2017, the GLCCM has been used to conduct 256 closure cost determination for 81 landfills controlled by 34 municipalities/entities spread over six provinces.

The landfill closure provision is calculated as the net present value of future cash flows.

Financial assumptions used

Unit costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation.

Consumer price index (CPI)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date.

The average of the CPI for the last quarter amounted to 4.4437%.

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25, defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality).

Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than

corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four or five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

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14. Provisions (continued) Key financial assumptions used

	For Carolina (old) landfill	For eManzana landfill	For Elukwatini, Ekulindeni, Empuluzi and Carolina (new) landfills
CPI	4.4437 %	4.4437 %	4.4437 %
Discount rate	7.4437 %	7.8937 %	7.8437 %
Net effective discount rate	3.0000 %	3.2500 %	3.6000 %
	14.8874	15.3874	15.8874

Discounting of closure costs

The landfill closure provision is calculated as the net present value of future cashflows.

The interest charge is calculated as the sum of the interest charges for all future cashflows calculated in the previous year and using the previous year's discount rate.

The discounted value of the liability for the closure of the landfills is shown in the Table below:

Description			
Landfill closure provision		59,715,888	57,529,053
Interest charge		4,100,721	2,555,552
		73,816,609	60,084,605

Current and non-current liability

The individual reports for the respective landfills must be consulted for an explanation of any disclosure of a current liability for landfill closure.

Description			
Current liability		59,715,888	57,029,053
Non-current liabilities		69,715,888	57,029,053

The results of this assessment should be disclosed as follows in the financial statements.

Disclosures in the Statement of Financial Performance or the notes thereto:

Description			
Change in landfill closure provision		8,088,114	24,388,633
Interest charge		4,100,721	2,555,552
		12,188,835	26,954,185

Disclosure in the Statement of Financial Position or the notes thereto:

Net Liability in Balance Sheet			
Opening balance		57,529,053	30,574,868
Change in landfill closure provision		8,088,114	24,388,633
Interest charge		4,100,721	2,555,552
		69,715,888	57,529,053

Provision for legal proceedings

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14. Provisions (continued)

Legal proceedings are disclosed in the contingent liability note 42.

15. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(10,691,493)	(9,253,901)
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Changes in the present value of the defined benefit obligation are as follows:

Changes in the present value of the defined obligation are as follows:

Opening Balance	9,283,901	9,567,062
Interest costs	906,907	819,535
Benefits paid	(841,234)	(759,992)
Actuary loss/(gain)	1,441,911	(352,524)

Net expense recognised in the statement of financial performance

Interest cost	906,907	819,535
Actuarial (gains) losses	1,441,911	352,824
	2,248,818	1,172,359



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15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date (2019 and 2018):

Discount rate:	8.70 %	9.08 %
Health care cost inflation rate	6.32 %	7.10 %
Net discount rate	2.24 %	1.85 %

The basis used to determine the overall expected rate of return on assets is as follows:

Discount Rate

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We used the nominal and real zero curves as at 30 June 2018 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Mortality rates

Mortality post-employment (for pensioners) has been based on the PA (50) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement.

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases:

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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15. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	880,700	751,600
Effect on defined benefit obligation	11,716,000	8,788,000

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	10,691,483	10,042,145	9,567,062	10,338,000	10,865,000



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18. Long service award

As per government gazette an employee shall qualify for long service rewards in terms of leave days credits for the various periods of continuous service completed at the same employer as follows:

- After 5 years of service - 5 working days
- After 10 years of service - 10 working days
- After 15 years of service - 20 working days
- After 20 years of service - 30 working days
- After 25 years of service - 30 working days
- After 30 years of service - 30 working days
- After 35 years of service - 30 working days
- After 40 years of service - 30 working days
- After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted on the date on which an employee qualified or at any stage thereafter.

Long service benefits are awarded in the form of a number of leave days awarded once the employee completes a certain number of years in service.

Valuation of assets

The long service leave award liability of the municipality is unfunded. No dedicated assets had been set aside to meet this liability.

Valuation of assets

Carrying value

Present value

8,666,951

7,784,710

8,666,951

7,784,710

Changes in present value

Opening Balance

7,784,710

6,405,496

Current service cost

756,489

650,951

Interest cost

626,782

514,568

Benefits paid

(508,123)

(710,456)

Actuarial loss/(gain)

408,093

924,151

8,666,951

7,784,710

Long service award accrual

Current service cost

756,489

650,951

Interest cost

626,782

514,568

Actuarial loss/(gain)

408,093

924,151

1,791,364

2,089,670

Key assumptions

Discount rate:

8.24%

CPI (Consumer Price Inflation):

Difference between nominal and real yield curve

Normal salary increase rate:

Equal to CPI (5.60%) + 1%

Net effective discount rate:

2.60%

Average retirement age:

The average retirement age for all active employees was assumed to be 64 years. This assumption implicitly allows for ill-health and early retirements.

The effect of 1% p.a. change in the normal salary inflation assumption is as follows:

	One percentage point increase	Current valuation percentage	One percentage point decrease
Total accrued liability	9,293,000	8,666,951	8,103,000
Current service cost	823,000	756,489	698,000

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Interest cost	673,000	626,782
	10,789,000	10,050,222
		9,386,100

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the long service awards liability.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

The amounts for the current annual reporting period and previous period:

8,666,951 7,784,710

17. Revaluation reserve

Valuations on land is performed every four years. The last general valuation came into effect on 1 July 2018. Revaluations were performed by an independent valuer, Value Africa. Value Africa are not connected to the Municipality.

The assumptions were based on current market conditions.

Opening balance	84,700,463	84,700,463
18. Revenue		
Service charges	51,758,478	62,663,352
Rental income	1,295,695	1,176,541
Interest received – consumers	53,072,151	39,407,122
Licences and permits	31,438	2,745
Other income	2,069,985	3,097,490
Gains on disposal of assets	-	554,057
Interest received – investment	5,473,722	2,860,776
Property rates	102,113,531	69,082,052
Government grants & subsidies	411,182,203	388,376,893
Donations	134,854,750	10,000
Fines	6,387,004	10,063,165
	766,242,960	571,114,193

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	102,113,531	69,082,052
Transfer revenue		
Government grants & subsidies	411,182,203	388,376,893
Donations	134,854,750	10,000
Fines	6,387,004	10,063,165
	654,537,488	467,552,110

19. Service charges

Sale of electricity	32,645,438	34,356,771
Sale of water	4,507,917	13,115,871
Sewerage and sanitation charges	7,136,926	6,526,695
Refuse removal	7,398,450	8,640,488
Other service charges	69,747	23,527
	51,758,478	62,663,352

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Figures in Rand	2019	2018
20. Rental income		
Facilities and equipment		
Rental of facilities	1,296,695	1,176,541
	1,296,695	1,176,541
21. Interest received- consumers		
Interest received- consumers	53,072,151	55,407,122
22. Fines		
Law Enforcement Fines	6,387,004	10,083,166
	6,387,004	10,083,166
23. Licences and permits		
Licenses	31,438	2,745
24. Other income		
Billboards	-	1,283
Building plan fees	325,367	308,220
Burial service fees	168,236	147,134
Clearance certificates	7,175	10,335
Photocopies	-	5,881
Connection services	-	99,572
Fire brigade fees	159,633	38,472
Proof of residence	259,543	434,783
Sale of stands	171,234	180,683
Sundry fees	-	1,533,713
Tempering of meters	-	96,723
Refunds	-	14,117
Tender deposits	145,878	200,777
Posters	-	21,797
Administration and handling fees	224,531	-
Advertising	47,692	-
Valuation certificate	557,079	-
Cleaning and removal	3,620	-
Staff recoveries	(22,493)	-
	2,047,495	3,087,480
25. Interest received - Investments		
Interest revenue		
Unlisted investments at amortised cost	3,476,722	2,660,985



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26. Property rates

Rates received

Residential	96,527,236	59,805,353
Commercial	3,236,082	3,475,792
Municipal	2,350,213	-
	102,113,531	63,082,052

Valuations

Residential	1,590,692,700	1,580,692,700
Commercial	613,470,900	613,470,900
State	1,712,977,000	1,712,977,000
Municipal	1,504,221,500	1,504,221,500
Agriculture	2,435,210,060	2,435,210,050
Other	1,833,807,920	1,833,807,920
	9,690,380,080	9,690,380,080

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2016. The valuations were performed by an independent valuer, Valuers Afrika, who are not connected to the municipality.

Interim valuations performed in the current year.

The new general valuation was implemented on 01 July 2018.



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Figures in Rand	2019	2018
27. Government grants and subsidies		
Operating grants		
Equitable share	278 934,000	254,241,000
Capital grants		
Department of Water and Forestry Affairs	34 674,000	35,000,000
Department of Energy	8 394,000	7,000,000
Expanded Public Works Programme	1 901,000	1,477,000
FMG	1 700,000	1,700,000
LGSETA Grant	358,203	341,923
Municipal Infrastructure Grant	85 281,000	88,616,970
	132,248,203	134,135,893
	411,182,203	388,376,893

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Human settlement

Balance unspent at beginning of year	357,432	357,432
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	357,432	357,432

The grant was intended for highmast installation.

Financial Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	1,700,000	1,700,000
Conditions met - transferred to revenue	(1,700,000)	(1,700,000)
	-	-

The grant was intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 75); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Expanded Public Work Programme

Balance unspent at beginning of year	-	-
Current-year receipts	1,901,000	1,477,000
Conditions met - transferred to revenue	(1,901,000)	(1,477,000)
	-	-

The Expanded Public Works Programme is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed. The EPWP integrated grant for municipalities is intended to act as a supplementary source of funding for labour-intensive projects.

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27. Government grants and subsidies (continued)

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of year	228,831	228,831
Current-year receipts	-	-
	228,831	228,831

The grant is intended for the construction of the ring in Silobela which is funded by the department of Co-operative Governance and Traditional Affairs.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Water and Sanitation

Current-year receipts	34,674,000	35,000,000
Conditions met - transferred to revenue	(34,674,000)	(35,000,000)
	-	-

The grant was intended to fund bulk, connector and internal infrastructure of water services at a basic level of service. Condition met and transferred to revenue.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Arts and Culture

Balance unspent at beginning of year	199,666	199,666
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The grant is intended to improve the social economic situation.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Municipal Infrastructure Grant

Current-year receipts	85,281,000	88,616,000
Conditions met - transferred to revenue	(85,281,000)	(88,616,000)
	-	-

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Energy

Balance unspent at beginning of year	-	-
Current-year receipts	8,334,000	7,000,000

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27. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(8,334,000)	(7,000,000)
	-	-

The grant is intended to fund energy efficient lighting technologies in municipal building, street and traffic lighting infrastructure.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

LG SETA GRANT

Balance unspent at beginning of year	71,205	296,428
Current-year receipts	358,203	110,160
Conditions met - transferred to revenue	(358,203)	(335,403)
	71,205	71,205

The grant is intended for sending the staff of municipality for training by the corporate service.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

28. Donations

Donations	134,854,750	10,000
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Approved By
2019-11-30
Auditor General South Africa
Mpumalanga Business Unit

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
29. Employee related costs		
Basic	92,903,634	92,518,747
Bonus	6,780,365	7,300,965
Medical aid - company contributions	4,837,371	7,859,819
UIF	3,291,468	745,953
Bargaining council	756,131	43,090
SDL	2,267,907	1,262,406
Leave pay accrual	-	1,283,144
Pension fund	10,945,630	17,573,549
Provident fund	-	702,678
Travel, motor car, accommodation, subsistence and other allowances	1,868,007	10,896,232
Overtime payments	5,135,499	3,574,667
Long-service awards	742,117	295,310
Acting allowances	2,998,237	1,375,253
Residday allowance	-	977,019
Housing benefits and allowances	26,653,535	1,508,361
Actuarial (gain)/ loss	1,850,004	571,527
Standby allowances	2,022,503	9,321,001
Telephone allowances	465,895	58,500
Interest cost on actuarial valuations	474,145	1,865,054
Other expenses	1,463,716	-
Long-term benefits - incentive scheme	397,129	-
	165,876,307	169,913,776
Remuneration of Municipal Manager		
Annual Remuneration	810,069	750,354
Car Allowance	240,000	240,000
Contributions to UIF, Medical and Pension Funds	202,898	191,565
Cellphone Allowance	24,000	24,000
Rural Allowance	53,955	51,166
13th Cheque	112,405	106,646
	1,443,328	1,363,731
Remuneration of Chief Finance Officer		
Annual Remuneration	919,780	383,427
Car Allowance	165,943	82,871
Contributions to UIF, Medical and Pension Funds	128,522	62,147
Rural Allowance	44,104	20,822
Cell Phone Allowance	12,000	-
	1,170,349	549,467
Remuneration of Director: Community and Public safety : Shabangu JW		
Annual Remuneration	824,561	777,255
Car Allowance	78,000	78,000
Contributions to UIF, Medical and Pension Funds	88,537	83,986
Acting Allowance	7,376	5,598
Rural Allowance	39,203	37,194
Cellphone Allowance	12,000	-
	1,049,677	982,034
Remuneration of Director:Corporate Services: Mndebele SF		
Annual Remuneration	166,381	793,525

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Figures in Rand	2019	2018
29. Employee related costs (continued)		
Car Allowance	19,500	78,000
Acting Allowance	2,804	-
Contributions to UIF, Medical and Pension Funds	46,401	180,379
Rural Allowance	10,461	41,844
Termination Leave	200,859	-
Cell Phone Allowance	5,000	-
	483,406	1,083,748

Remuneration of Director: Planning and Economic Development: Lukhele TA

Annual Remuneration	842,104	791,626
Car Allowance	60,000	80,000
Contributions to UIF, Medical and Pension Funds	211,415	200,483
Rural Allowance	44,104	41,844
Acting Allowance	7,881	2,604
Cellphone Allowance	12,000	-
	1,177,504	1,096,957

Remuneration of Acting Director: Technical Services: Magubane-MP

Annual Remuneration	51,135	494,891
Car Allowance	15,000	150,144
Cellphone Allowance	1,000	-
Contributions to UIF, Medical and Pension Funds	12,158	124,302
Acting Allowance	-	303,176
Rural Allowance	3,100	-
Long Service Award	-	4,947
13th Cheque	-	41,224
	82,393	1,118,496

The remuneration of staff is within the upper limits of the SALGA bargaining council determinations.

30. Remuneration of councillors

Executive Mayor	878,639	852,377
Speaker	712,294	692,246
Chief Whip	670,500	652,037
Mayoral Committee	2,681,913	2,607,595
Councillors	13,561,057	13,751,115
	18,504,503	18,555,372

Chief Albert Luthuli Local Municipality

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30. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor is provided with a vehicle, driver, secretary, manager and personal assistant at the cost of the council.

The Chief Whip is provided with a secretary and personal assistant.

The Speaker is provided with secretarial support, a manager and personal assistant.

All the full time Mayoral committee members are provided with one secretary.

Members of municipal council should be remunerated within the upper limits as determined by the Department of Cooperative Governance and Traditional Affairs. Any deviations are disclosed as irregular expenditure.

Remuneration of Councillors:

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution.



Chief Albert Luthuli Local Municipality

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30. Remuneration of councillors (continued)

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Executive Mayor Nkosi D.P	721,857	-	44,400	105,891	6,691	878,839
Subtotal	721,857	-	44,400	105,891	6,691	878,839
	721,857	-	44,400	105,891	6,691	878,839
2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Speaker Mingomezulu M.W	371,494	165,550	44,400	125,156	5,694	712,294
Subtotal	371,494	165,550	44,400	125,156	5,694	712,294
	371,494	165,550	44,400	125,156	5,694	712,294
2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Chief Whip Sidu L.L	375,799	155,203	44,400	89,811	5,287	670,500
Subtotal	375,799	155,203	44,400	89,811	5,287	670,500
	375,799	155,203	44,400	89,811	5,287	670,500
2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Mayoral Committee Members						
Nkosi S.Z	369,768	155,203	44,400	93,842	5,304	670,517
Makhubela N.V	381,830	155,203	44,400	83,780	5,270	670,483
Magagula P	375,838	155,203	44,400	89,971	5,288	670,501
Mnisi-Nkosi N	408,048	155,203	44,400	59,583	5,200	670,412
Subtotal	1,533,238	620,812	177,600	328,156	21,062	2,681,813
	1,533,238	620,812	177,600	328,156	21,062	2,681,813
2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Councillors						
Cindi N.R	171,331	65,488	44,400	25,133	2,451	308,803
Ginidza S.V	355,759	152,085	44,400	100,495	5,226	657,966
Dludlu Z.M	228,441	-	44,400	33,511	2,421	308,773
Lubede E.J	171,331	65,488	44,400	25,133	2,451	308,803
Michele J.S	171,331	65,488	44,400	25,133	2,451	308,803
Motauang R.M	228,441	-	44,400	33,511	2,421	308,773
Mthombeni S.F	204,685	84,043	44,400	47,444	3,063	383,635
Ngubeni A	171,331	65,488	44,400	25,133	2,451	308,803
Nkosi A.D	171,331	65,488	44,400	25,133	2,451	308,803
Nkosi C.J	153,147	65,488	44,400	43,317	2,503	308,855
Nkosi J.S	201,590	84,043	44,400	50,436	3,072	383,643
Nkosi V.L	140,546	65,488	44,400	55,818	2,539	308,801
Shabangu L.D	236,318	84,043	44,400	-	3,480	368,241
Sikhakhane N.B	171,331	65,488	44,400	25,133	2,451	308,803
Simelane J.D	125,980	-	23,646	16,427	1,326	165,381
Thomo N.G	185,746	84,043	44,400	58,383	3,089	383,661
Thabede M.J	41,067	15,742	11,100	6,160	591	74,660
Mthembu M.S	171,331	65,488	44,400	25,133	2,451	308,803
Malaza M.A	171,331	65,488	44,400	25,133	2,451	308,803

Chief Albert Luthuli Local Municipality

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30. Remuneration of councillors (continued)

Nkosi B.G	165,186	65,488	44,400	31,278	2,456	308,821
Ngwenya R.D	293,166	-	44,400	43,005	2,981	383,552
Nkosi T.S	171,331	65,488	44,400	25,133	2,451	308,803
Nkosi T.B	171,331	65,488	44,400	25,133	2,451	308,803
Shongwe J.D	180,457	54,993	44,400	26,502	2,446	308,798
Jele J.J	171,331	65,488	44,400	25,133	2,451	308,803
Nkosi T.J	171,331	65,488	44,400	25,133	2,451	308,803
Nhlabathi N.C	171,331	65,488	44,400	25,133	2,451	308,803
Khumalo M.J	171,331	65,488	44,400	25,133	2,451	308,803
Mkhwanazi H.L.Z	153,147	65,488	44,400	43,317	2,503	308,855
Zulu G.G	171,331	65,488	44,400	25,133	2,451	308,803
Ngoma Z.S.G	171,331	65,488	44,400	25,133	2,451	308,803
Van Der Walt L	135,841	65,488	44,400	60,523	2,553	308,805
Ntjana M.L	171,331	65,488	44,400	25,133	2,451	308,803
Matsaba K.A	168,141	65,488	44,400	40,323	2,495	308,847
Hlabathi P.Z	180,457	54,993	44,400	26,502	2,446	308,798
Zwane F.C	204,313	-	44,400	57,839	2,491	308,843
Ndebele J.C.H	155,478	65,488	44,400	40,986	2,495	308,848
Nkosi S.P	171,331	65,488	44,400	25,133	2,451	308,803
Zulu W	213,252	-	44,400	49,700	2,485	308,817
Mbuli T.G	171,331	65,488	44,400	25,133	2,451	308,803
Mnisi S.T	171,331	65,488	44,400	25,133	2,451	308,803
Kgwed T	210,189	-	40,700	30,773	2,227	285,869
Nkosi D	173,686	-	33,339	25,297	1,838	234,121
Dube S	37,664	-	7,490	5,895	401	51,450
Subtotal	7,795,917	2,362,164	1,847,748	1,426,705	108,582	13,561,093
	7,795,917	2,362,164	1,847,748	1,426,705	108,582	13,561,093

2018	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Executive Mayor Nkosi D.P	695,394	-	49,932	100,519	6,532	852,377
Subtotal	695,394	-	49,932	100,519	6,532	852,377
	695,394		49,932	100,519	6,532	852,377

2018	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Speaker Mngomezulu M.W	360,847	159,213	49,932	116,701	5,555	692,246
Subtotal	360,847	159,213	49,932	116,701	5,555	692,246
	360,847	159,213	49,932	116,701	5,555	692,246

2018	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Chief Whip Sidu L.L	362,360	149,234	49,932	85,342	5,169	652,037
Subtotal	362,360	149,234	49,932	85,342	5,169	652,037
	362,360	149,234	49,932	85,342	5,169	652,037

2018	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Mayoral Committee Nkosi S.Z	356,617	149,234	49,932	91,085	5,168	652,054
Makhubela N.V	370,224	149,234	49,932	77,478	5,147	652,015

APPENDICES

Chief Albert Luthuli Local Municipality

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Figures in Rand	2019	2018
30. Remuneration of councillors (continued)		
Magagula P	362,207	149,234
Mtshali-Nkosi N	391,160	149,234
Subtotal	1,480,208	596,936
	1,480,208	596,936

2018	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Councillors						
Cindi N.R	172,126	65,254	49,932	23,636	2,526	313,474
Ginindza S.V	364,472	148,004	49,471	89,565	5,259	656,792
Dludlu Z.M	222,887	7,235	49,932	30,894	2,503	313,451
Mhetele J.S	172,126	65,254	49,932	23,636	2,526	313,474
Motaung R.M	222,887	7,235	49,932	30,894	2,503	313,451
Mthombeni S.F	206,429	83,742	49,932	44,799	3,142	388,044
Ngubeni A	172,126	65,254	49,932	23,636	2,526	313,474
Nkosi A.D	172,126	65,254	49,932	23,636	2,526	313,474
Lubede E.J	172,126	65,254	49,932	23,636	2,526	313,474
Nkosi G.J	164,811	65,254	49,932	40,951	2,575	313,524
Nkosi J.S	212,067	83,742	49,932	39,160	3,128	388,027
Nkosi V.L	143,949	65,254	49,932	51,813	2,607	313,556
Shabangu L.D	220,895	83,742	49,932	-	3,378	357,947
Sikhakhane N.B	172,126	65,254	49,932	23,636	2,526	313,474
Simelane J.D	222,887	7,235	49,932	30,894	2,503	313,451
Thomo N.G	196,914	83,742	49,932	53,313	3,166	388,067
Thabede M.J	171,555	65,064	49,471	23,636	2,514	312,240
Mthembu M.S	171,555	65,064	49,471	23,636	2,514	312,240
Malaza M.A	171,555	65,064	49,471	23,636	2,514	312,240
Nkosi B.G	157,089	65,064	49,471	38,102	2,556	312,262
Ngwenya R.D	285,305	5,041	49,471	35,647	3,057	386,521
Nkosi T.S	160,428	65,064	49,471	34,783	2,546	312,272
Nkosi T.B	171,555	65,064	49,471	23,636	2,514	312,240
Shongwe J.D	222,316	7,045	49,471	30,894	2,491	312,217
Jele J.J	222,316	7,045	49,471	23,636	2,514	312,240
Nkosi T.J	222,316	7,045	49,471	30,894	2,491	312,217
Nhlabathi N.C	171,555	65,064	49,471	23,636	2,514	312,240
Khumalo M.J	171,555	65,064	49,471	23,636	2,514	312,240
Mkhwanazi H.L.Z	154,240	65,064	49,471	40,951	2,564	312,280
Zulu G.G	171,555	65,064	49,471	23,636	2,514	312,240
Ngoma Z.S.G	171,555	65,064	49,471	23,636	2,514	312,240
Van Der Walt L	136,859	65,064	49,471	58,331	2,514	312,339
Ntjana M.L	193,079	40,312	49,471	26,864	2,502	312,228
Matshaba K.A	207,850	7,045	49,471	45,360	2,533	312,259
Hlabathi P.Z	222,316	7,045	49,471	30,894	2,491	312,217
Zwane F.C	199,335	7,045	49,471	53,874	2,557	312,282
Ndebele J.C.H	157,184	55,163	49,471	47,908	2,575	312,301
Nkosi S.P	171,555	65,064	49,471	23,636	2,514	312,240
Zulu W	208,688	7,045	49,471	46,542	2,536	312,252
Mbuli T.G	217,747	5,522	46,783	30,894	2,395	302,342
Mnisi S.T	183,841	64,492	48,088	23,636	2,479	308,536
Khoza D.P	185,138	5,141	38,265	25,416	2,042	256,004
Subtotal	8,016,215	2,159,546	2,068,420	1,395,452	111,489	13,751,122
	8,016,215	2,159,546	2,068,420	1,395,452	111,489	13,751,122

31. Depreciation and Impairments

Property, plant and equipment	48,476,425	43,837,995
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Figures in Rand	2019	2018
32. Finance costs		
Rehabilitation of landfill sites	9,949,759	28,954,186
Trade and other payables	-	31,379
Finance leases	681,836	119,069
Other interest paid	1,266,594	-
	11,898,189	27,104,634
33. Rehabilitation provision movement		
Landfill sites	10,188,618	26,954,186
34. Debt impairment		
Debt impairment	102,220,049	70,026,039
35. Bulk purchases		
Electricity	73,515,473	36,728,301
Water	-	7,479
	73,515,473	36,735,780
Electricity distribution losses are based on units purchased per invoices received from Eskom and units sold per prepaid reports and debtors system. It was determined to be R 4 601 039.46 (2018: R4 060 974.29) and 23 990 160.40 units (2018: 23 883 247.69 units) for the financial year ending 30 June 2019.		
Water distribution losses are based on the kilolitres of water produced (6 287 325) and total water distributed (4 050 040) and the estimated loss (4 237 285) (R13 401 628) which is 51.13%.		
36. Contracted services		
Presented previously		
Consultants	22,235,900	17,862,465
Security Services	16,630,356	18,282,939
Operational contracts	503,513	3,769,853
Stand-by Contractors	-	603,520
Other Contractors	967,176	188,018
	40,345,947	40,685,785

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Figures in Rand	2019	2018
37. General expenses		
Audit committee fees	-	201,748
Advertising	2,332,224	248,334
External audit fees	3,733,722	3,166,285
Bank charges	1,705,138	415,105
Commission paid	38,281	149,644
Computer expenses	1,282,433	-
Legal expenses	4,947,422	3,466,295
Consumables	14,270,252	(219,764)
Entertainment	85,750	79,316
Insurance	1,001,683	2,238,454
Lease rentals on operating lease	-	537,296
Magazines, books and periodicals	-	1,767,027
Motor vehicle expenses	4,768,025	3,567,005
Postage and courier	-	1,817,015
Printing and stationery	1,050,303	511,700
License fees	177,802	2,813,756
Staff welfare	-	188,291
Subscriptions and publications	-	516,472
Telephone and fax	5,231,526	2,503,079
Transport and freight	5,793,277	1,741,531
Training	3,424,418	301,325
Assets expensed	130,299	-
Uniforms and overalls	-	1,374,238
Committee costs	4,111,276	3,155,481
Spatial planning	-	4,950
VIP toilets not capitalised	12,714,194	13,732,510
Local economic development	-	220,945
Interview costs	2,398,824	15,134
Chemicals	-	8,324,869
Convention bureau	-	1,215,474
Hostel charges	438,559	(1,175,119)
Other expenses	9,653,191	3,365,410
	79,268,407	56,552,816
38. Fair value adjustments		
Investment property (Fair value model)	(17,657,840)	-
39. Auditors' remuneration		
Fees	3,733,722	3,166,285



Chief Albert Luthuli Local Municipality

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Figures in Rand	2019	2018
40. Cash generated from operations		
Surplus	186,202,455	102,341,074
Adjustments for:		
Depreciation and amortisation	48,476,425	43,837,995
Loss on sale of assets and liabilities	-	(554,057)
Fair value adjustments	17,667,840	-
Finance costs - Finance leases	681,838	-
Rehabilitation provision movement	9,949,759	26,954,186
Debt impairment	102,220,049	70,028,039
Actuarial loss on long service	1,815,675	571,326
Provision for leave	397,129	1,283,144
Interest on long service awards	474,148	1,985,054
Donations received	(130,848,720)	-
Fair value adjustment of investment	(115,118)	-
Changes in working capital:		
Inventories	(25,943)	(609,773)
Receivables from exchange transactions	(130,098,110)	(87,444,106)
Other receivables from non-exchange transactions	(28,415,703)	(30,047,767)
Payables from exchange transactions	20,008,668	(47,558,898)
VAT	1,174,788	258,174
Unspent conditional grants and receipts	-	(225,224)
	95,559,079	100,718,958
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for:		
• Infrastructure	413,294,547	331,128,643
Authorised operational expenditure		
Already contracted for but not provided for:		
• Operational	61,158,522	39,612,174

This committed expenditure relates to infrastructure and community assets and will be financed by accumulated surpluses and extended funding

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Figures in Rand	2019	2018
42. Contingencies		
Litigations in the process against the Municipality relating to civil claims include the following:	2019	2018
Grand Valley Estates (Pty) Ltd	26,680,000	26,000,000
Sifiso Thela	232,384	232,384
I @ Consulting	2,750,131	2,750,131
Minister of Water and Sanitation	4,500,000	4,500,000
Maximum Profit Recovery Pty Ltd	2,802,874	2,802,874
Khumalo Mantombi Martha obo Khumalo Sabelo Xolane	10,000,000	10,000,000
IFJ Properties	-	1,500,000
Germiston West	-	600,000
Memba Edwin Sibanyoni (Plaintiff)	-	115,888
Sukuma Mswati Communal Property	-	90,000
Mhlanga JF	-	115,000
EPH Security & Services CC	5,046,096	-
	52,111,485	48,806,275

Grand Valley Estate

This claim stems from the dispute over the farms around Badpleas. The plaintiffs are claiming loss of future income and goodwill while on the other hand the farms are a subject of a land claim in the Land Claims Commission. The Municipality is cited as party for failure to comply with various forms of legislations. The summons has been served to the Municipality on the 6th of July 2010. Management estimate of the financial exposure (legal cost) R1 500 000.

Sukuma Mswati Communal Property

The matter has been settled

Sifiso Thela vs Municipality

Plaintiff is suing council in respect of damages suffered as a result of a motor vehicle accident that occurred between his car and that of the council. The potential liability is estimated at R232,384.33.

I@consulting

On this matter the notice of intent to defend is drafted. Attorneys are awaiting an addendum confirmation on the consultation at the court. The potential liability is estimated at R2,750,131.

Minister of Water and Sanitation

The Council is sued for R4,500,000 plus mora interest at a rate of 10.5% per annum from the date of issuing summons to the date of payment thereof, in respect of water use charges. The financial exposure (legal cost) is R280,000.

Maximum Profit Recovery Pty Ltd

The applicant was seeking an interdict from Court Mandating Council to honour in terms of service agreement concluded between the parties. The financial exposure is R2,802,874. Management estimate of financial exposure (legal cost) is R284,155.75

Khumalo Mantombi Martha obo Khumalo Sabelo Xolane

The Plaintiff is suing Council amount of R10,000,000 in respect of delictual claim. It is alleged that the child of the plaintiff was electrocuted and was severe burnt by a live electric cable which carries 400 to 415 volts and as direct consequences thereof, he sustain serious and permanent injuries on his body. The estimated legal costs are R265,000.

Memba Edwin Sibanyoni

The matter has been settled.

Mhlanga JF

The matter has been withdrawn

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42. Contingencies (continued)

EPH Security & Services CC

EPH Security & Services CC (Plaintiff) instituted legal action claim against the Municipality. The claims emanated from the contract ALMT 12/2015, whereby the plaintiff alleged that the Municipality did not honour its contractual obligation in terms of the contract.

The plaintiff alleged that the Municipality breached the contract by failing to pay its invoices amounting to R5 046 065.58.

Contingent assets

Shatadi Auctioneer and Asset Disposals

The Council is suing Shatadi Auctioneer and Asset Disposals CC for R731 926.89 in respect of a transaction wherein the auctioneer was at the conclusion of the auction on behalf of Council, expected to pay the proceeds thereof to Council, but however, the said auctioneer failed to do so.

43. Related parties

Relationships

Accounting Officer

Refer to accounting officer's report note 28

No transactions were entered into with related parties to the municipality and close family members during the year.

44. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and cash equivalents	15,911,968	11,827,166
Receivables from exchange transactions	57,379,495	58,308,823
Receivables from non-exchange transactions	197,069,801	141,836,703
Other financial assets	3,668,516	3,685,056

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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46. Unauthorised expenditure		
Opening balance	57,680,278	57,475,201
Unauthorised expenditure	25,430,440	212,077
	83,120,718	57,690,278
47. Fruitless and wasteful expenditure		
Opening Balance	21,957,954	18,115,763
Eskom - Interest	1,325,252	1,863,003
SARS: Interest and penalties	17,687	1,910,395
Auditor General	34,473	185,143
Telkom	1,521	1,943
SALAPF	-	553
MCPF	-	2,521
Sarlam	-	17,370
NFMV	-	16,232
GEFF	-	201
MEPF	-	31,700
	23,349,887	21,957,954
48. Irregular expenditure		
Opening balance	303,913,283	353,262,824
Add: Irregular Expenditure - current year	39,431,149	40,630,459
	433,344,432	393,913,283
Analysis of expenditure awaiting condonation per age classification		
Details of irregular expenditure – current year		
	Disciplinary steps taken/criminal proceedings	
Advert for less than prescribed period	None	2,546,855
Bid adjudication committee not complying with Regulation 29(2)	None	1,925,048
Procurement process not followed	None	12,601,022
Local content not implemented	None	22,358,426
		39,431,149
49. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	5,652	5,652
Current year subscription / fee	89,530	95,180
Amount paid - current year	(82,198)	(80,498)
Amount paid - previous years	(5,652)	(5,652)
	7,332	5,682
Audit fees		
Opening balance	951,742	5,711,161
Current year subscription / fee	5,405,112	2,026,158
Amount paid - current year	(4,541,809)	(2,040,860)
Amount paid - previous years	(951,742)	(4,744,717)
	863,303	951,742

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	4,734,003	18,418,023
Current year subscription / fee	28,964,899	24,773,048
Amount paid - current year	(26,185,320)	(24,039,046)
Amount paid - previous years	(4,734,003)	(14,418,023)
	2,779,579	4,734,003

Pension and Medical Aid Deductions

Opening balance	9,339,628	9,339,627
Current year subscription / fee	46,854,684	43,497,644
Amount paid - current year	(44,101,598)	(34,156,018)
Amount paid - previous years	(9,339,628)	(9,339,627)
	2,552,996	9,339,628

VAT

VAT receivable	23,139,991	24,314,779
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VAT output payables and VAT input receivables are shown in note

All VAT returns have been submitted by the due date throughout the year

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019.

30 June 2019

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Shabangu L.D	15,441	38,100	53,541
Malsza M.A	951	13,902	14,753
Van der Walt L	63	2,169	2,242
Jele J.J	52	1,087	1,119
Ngoma Z	843	1,544	2,387
Zulu W	700	26,888	27,588
	18,050	83,578	101,628

30 June 2018

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Simelane J.D	168	1,185	1,353
Mnisi T.S	830	17,411	18,241
Mbuli T.G	33	2,064	2,097
Jele J.J	203	1,211	1,414
Malsza M.A	827	13,011	13,838
Zulu W	1,239	25,658	27,697
Shongwe J.D	310	4,092	4,402
Shabangu L.D	15,386	50,127	65,513
Thabethe M.U	308	3,898	4,206
Magagula M.P	547	4,385	4,932
	19,851	124,842	144,483

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 38 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Sole Service Provider

-

8,000

50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

51. VAT receivable

VAT

23,139,991

24,314,779

52. Budget differences

Material differences between budget and actual amounts



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52. Budget differences (continued)

Interested received- consumers

Due to non-payment of consumers and increase in consumer debtors

Other income

Reclassification of interest income

Property rates

Due to increase in tariffs and implementation of supplementary valuation roll

Interest, dividends and rent on land

Rental on investment property and other municipal facilities

Government grants and subsidies

Capital conditional grants recognises revenue

Public contributions and donations

Donations from Gert Sibande District Municipality

Personnel

As a result of increase in overtime, standby and acting allowances. Implementation of increases as per bargaining agreements

Finance costs

Interest on outstanding invoices from Eskom

Debt impairment

Due to non-payment of consumers as result is it doubtful that the arrears will be collected

Transfers and subsidies

Appropriation of conditional grants as per DORA

General expenses

Transfer of capital projects like VIP toilets to beneficiaries and the need for the purchasing of materials for depleted infrastructure

Fair value adjustments

Fair value of investment property

53. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Investment Properties	9	69,603,783	(16,908,946)	52,694,837
Receivable from non exchange	5	141,443,128	(2,010,372)	139,432,756
Trade Payables	11	(186,147,465)	(651,418)	(186,798,883)
Accumulated Surplus		(1,044,755,212)	19,660,736	(1,025,094,476)
		(1,019,856,783)	-	(1,019,856,783)

Errors

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53. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

Investment properties

1. Properties (Schools) that the municipality do not have control over, does not derive economic benefit and are not owned by the municipality were included in the investment properties register in prior years and were identified during the current year. The investment properties were overstated and accumulated surplus was also overstated. The adjustment will result in a decrease in Investment Properties and also a decrease in Accumulated Surplus.

1. Effect of adjustment

Decrease in Investment properties	(18,065,846)
Decrease in Accumulated Surplus	18,065,846
	-

2. Properties that were omitted from the fixed asset register. Investment properties that are under the control of the municipality was previously omitted from the register. This adjustment resulted in an increase investment property and increase on the Accumulated Surplus.

2. Effect of adjustment

Increase in Investment properties	591,000
Increase in Accumulated Surplus	(591,000)
	-

3. Investment properties that were previous recorded at zero value. The values were determined and attached to this properties. The adjustment resulted in an increase in Investment Properties and increase in Accumulated Surplus.

3. Effect of adjustment

Increase in Investment properties	476,000
Increase in Accumulated Surplus	(476,000)
	-

Receivable from non exchange

Magweni and Shatadi duplicated transaction. The debtors were recorded twice, i.e. under Receivable from non-exchange and again on the Receivable from exchange. The debtors were removed from the Receivable from non exchange transaction. The adjustment results in a decrease in Receivable from non exchange and decrease in Accumulated Surplus.

Effect of adjustment

Decrease in Receivable from non exchange	(2,010,372)
Decrease in Accumulated Surplus	2,010,372
	-

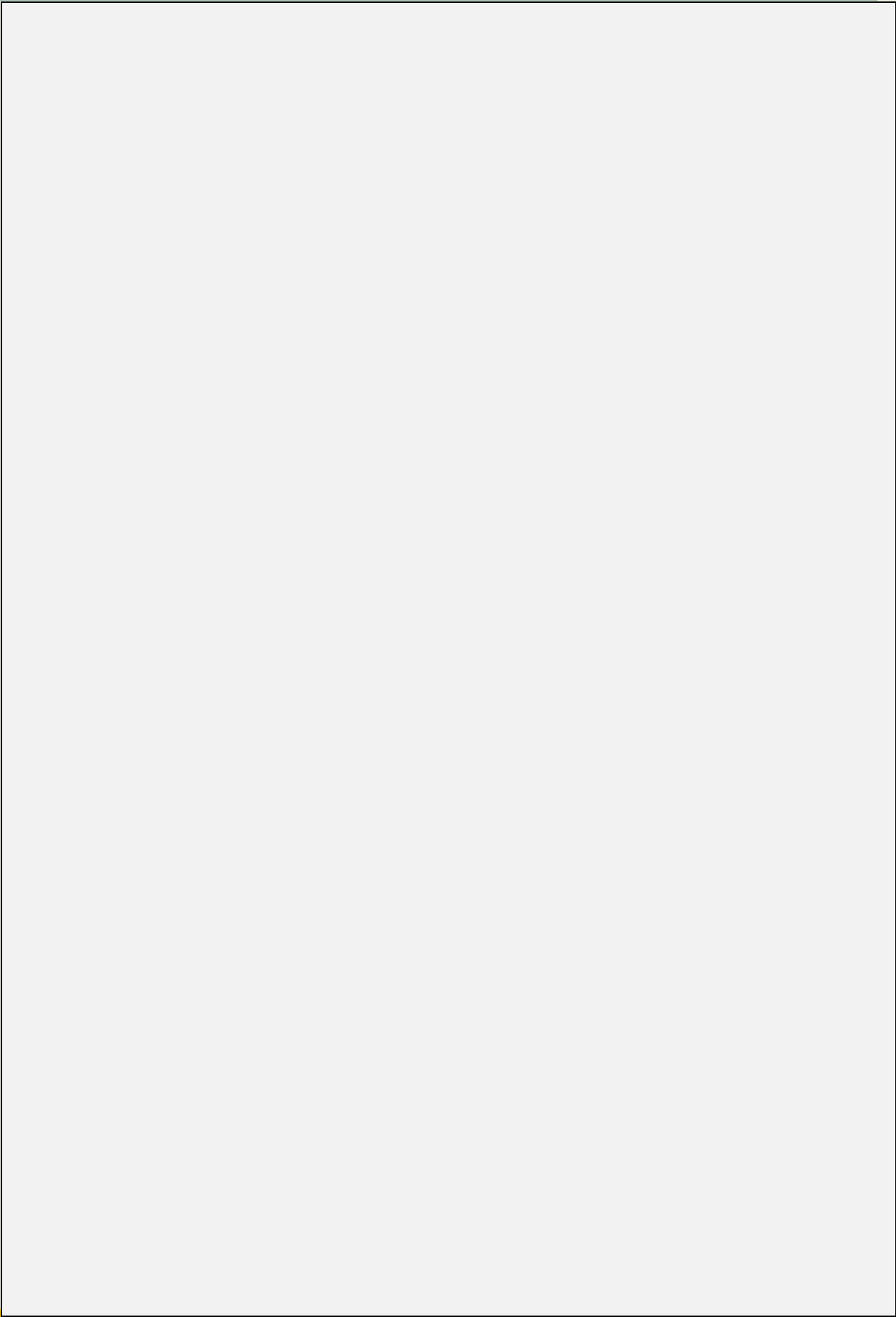
Prior year Invoice trade payable

Prior year invoice was not recorded. Invoice relating to services that was provided in the prior year was not recorded in the previous year. This resulted on the understatement of Trade payable and understatement of Expenses. This adjustment will result in an increase in Trade payable and decrease in Accumulated Surplus

Effect of adjustment

Decrease in Accumulated Surplus	551,418
Increase in Trade payables	(551,418)
	-

APPENDICES



APPENDICES











VOLUME II



